DOCUMENT RESUME

ED 311 094 UD 026 960

AUTHOR	Medrich, Elliot A.; Rubin, Victor
TITLE	Services to Children and the Urban Fiscal Crisis: A Comparison of Experiences Among States and Localities. A Report to the U.S. National Institute of Education.
INSTITUTION	California Univ., Berkeley. School of Law.
SPONS AGENCY	National Inst. of Education (ED), Washington, DC.
PUB DATE	Jun 83
GRANT	NIE-G-82-0018
NOTE	304p.; For seven separately analyzed chapters, see UD 026 961-967.
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC13 Plus Postage.
DESCRIPTORS	*Child Welfare; Economic Change; *Economic Factors; Economic Research; Educational Finance; Elementary Secondary Education; Finance Reform; *Financial Support; Retrenchment; State Legislation; *State Programs; State Surveys; *Urban Programs; Urban Schools; Welfare Services
IDENTIFIERS	California; Massachusetts; Michigan; New Jersey; Proposition 2 and One Half (Massachusetts 1980); Proposition 13 (California 1978); *Tax Limitation Efforts

ABSTRACT

This collection of seven reports explores the changes in children's services that have been brought about by efforts to limit local spending and taxation, and by unfavorable economic changes. The four states chosen for analysis--California, Massachusetts, Michigan, and New Jersey--represent contrasting economic circumstances and several different versions of the tax limitation movement. Each report, presented as a chapter in the collection, examines changes in tax burdens and expenditure levels, changes in the decision-making process concerning children's services, and the direct and indirect outcomes of budget reductions on families and children. Chapter 1, "Children's Services in an Era of Uncertainty" (Elliott A. Medrich and Victor Rubin) outlines the development of children's services in the United States, discusses the effects of recent demographic and economic changes, and reviews the other reports. Chapter 2, "The Tax Limitation Movement of the 1970's: A National Perspective" (C. S. Benson and P. Weinstock), provides an empirical overview of tax limitation efforts and their actual effect on revenues and expenditures for all states. Chapter 3, "Keeping Up With California: The Impact of Massachusetts' Proposition 2-1/2 on Local Children's Services" (K. E. Kim), documents, through case studies, the diversity of responses to revenue loss among the state's towns and cities. Chapter 4, "Responses to Local Fiscal Stress: Privatization and Coproduction of Children's Services in California" (V. Rubin), analyzes the changing relationships between governmental and non-governmental services in Oakland (California) against the background of similar changes across the state. Chapter 5, "Children's Programs in an Era of Scarce Resources" (C. E. Van Horn, S. Fuhrman, and S. Massart), and Chapter 6, "Children in a Fiscally Distressed Environment: The Case of Michigan" (J. Boulet), combine local case studies with an exploration of the changing relationships between state and local budget-making in New Jersey and Michigan, respectively. Chapter 7, "Fiscal Containment and the Expendable Curriculum" (J. S. Catterall), focuses on how a set of programs in the eight largest school districts in California have been affected by budget constraints. Each report includes extensive statistical data and a list of references. (Author/FMW)

3-31-89 UD
260

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

[X] This document has been reproduced as received from the person or organization originating it.

[ ] Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ED311094

SERVICES TO CHILDREN AND THE URBAN FISCAL CRISIS:

A COMPARISON OF EXPERIENCES

AMONG STATES AND LOCALITIES

A Report to the U.S. National Institute of Education

(NIE-G-82-0018)

June 1983

Elliott A. Medrich
Victor Rubin

Children's Time Study
School of Law
University of California
Berkeley, Ca. 94720
Tel: 415-642-0912

UD 026 960

BEST COPY AVAILABLE

Chapter One

Children's Services in an Era of Uncertainty

In a century's time significant responsibilities for the health, education, protection, and physical and social development of the young have devolved in the public sector. All levels of government are now inextricably involved in the process of rearing children and preparing them for adulthood. We have, in fact, come to value and take pride in this commitment, as much for its symbolic value--it suggests that we place high priority on helping the next generation get a "fair start"--as for the actual outcomes that are achieved by the services and programs we provide.

While common schooling was the earliest, most ubiquitous example of public sector involvement in the lives of the young,[1] and is by far the largest area of intervention even today, a host of out-of-school programs and services have emerged to complement and supplement basic educational activities.

Efforts in this out-of-school domain began in the late 1800's when philanthropists and settlement house leaders founded a variety of programs to ameliorate the consequences of poverty and substandard living conditions of urban immigrants.[2] Some of these programs were gradually taken over by municipal government agencies, and over time the private sources of funding diminished

in importance. Library services and recreation programs, for instance, were clearly rooted in this earlier era and expanded through the first three decades of the twentieth century with increasing public sector support.

Out-of-school services for school-age children developed a stable niche in local government in the 1920s by supplementing the social control and welfare objectives developed in the Progressive Era with a broader range of activities for influencing the leisure time of the young. But the municipal bureaucracies in place by the early 1930's were severely undermined by the Depression and only survived through the massive infusion of New Deal federal employment, training and public works programs.

The period of the 1950's and early 60's in many ways paralleled the 20's in the expansion of recreational and cultural programs as a basic part of local government, especially in growing, "child-centered," suburban communities. But the system of local financing and metropolitan fragmentation left inner cities with obsolete facilities and inadequate resources with which to meet the needs of their poorer populations. In the mid-1960's, inner-city programs for children and youth once again received substantial but temporary federal assistance through various Great Society programs. These efforts were characterized by a rediscovery of the potential for recreation as social control, and of the capacity for non-school community services to reach young people where schools had failed. Though

those federal (and private foundation) initiatives have mostly been disbanded, they left a legacy of programs, many of which came to be supported by Comprehensive Employment and Training Act (CETA) funds through the 1970's.[3] Today, nearly 2% of municipal government budgets (about $1.5 billion) are allocated for after-school programs, services and facilities.[4] It is also estimated that well over two billion dollars more is spent by private, philanthropic and quasi-public agencies in comparable fashion.

Historically, out-of-school services have been directed toward filling many needs simultaneously--needs of child clients, needs of parents, and needs of those who provide the services. Each group has a different agenda, and each perspective is important to understanding the place these services hold in family life and in children's daily lives. Providers of children's services generally speak of two types of objectives, those related to development and those related to socialization. The developmental objectives follow from the notion that children have a good deal of free time that could be used to sharpen cognitive, creative, and physical skills. These developmental objectives are generally similar to the broader educational goals adopted by the schools, but there is one basic difference: children participate in after-school activities on a thoroughly voluntary, noncompulsory basis. To meet objectives for socialization, children's services provide many activities designed to teach cooperation, "desirable" social skills and values, and

self-discipline: that is, to promote certain norms that are thought to "build character."

Children's services, then, serve multiple objectives. They respond to children who are looking for interesting things to do; to parents looking for supervised and educational opportunities that will also keep children safe and out of trouble; and to service providers and politicians, some concerned with children's development, others simply hoping for social peace.

To achieve these objectives, planners recognized that because children spend most of their time close to home, it was necessary to provide services at the neighborhood level whenever possible. Today, the urban landscape reflects this commitment to decentralized service provision--multiple facilities, parallel programs, and extensive staffing. It is this feature of both school and out-of-school children's services that has been their great strength and is still recognized as a fundamental criterion for effective service delivery.

Despite proliferation of out-of-school services, they have always rested uncomfortably within the context of local government. While it is recognized that they contribute to the welfare and development of youth, they have never succeeded in garnering recognition as essential services. They are viewed as a necessarily collective function (in that few families could individually provide their children with similar opportunities); and they are recognized as merit goods (whereby benefits are shared not only by clients but by society in general). However,

these rationales have not always resulted in broad-based political support. Further, translation of the objectives described earlier into actual programs with concrete, measurable outcomes has always been difficult. As a result, out-of-school services have been hard to defend on grounds of cost-effectiveness. One factor which undercuts opportunities to demonstrate quantifiable program impacts is the informal and voluntary nature of the sector. It has been argued that in these voluntary settings children could develop their individual potentials, away from the homogenizing drudgery of the classroom. In this spirt, librarians and recreation leaders could enliven books, sports or crafts for students who are turned off by their school's homework, physical education or shop class (or who have dropped out of school altogether). The sometimes cordial, sometimes testy rivalry among schools and other services for the attention of children has been a constant theme in their history and is today as common as ever.

In the early decades of the growth in out-of-school children's services provided by local government, most political issues concerned whom to serve and where to locate. The internal workings of the programs were relatively simple and usually not controversial. Almost exclusive reliance on local tax revenues for fiscal support, however, left out-of-school services in an unusual position; strengthened and weakened at the same moment. On the one hand, children's services became nearly pure expressions of "home rule." They reflected the

priorities and resources of each community, as evidenced by great diversity in programs and facilities. In theory, this local control was supposed to encourage programs responsive to the needs of particular populations. On the other hand, this dependence on local financial support also made children's services much more vulnerable than most services to shifts in the fiscal fortunes of local government, a point that will receive a great deal of attention in this volume.

Understandably, the construction of decentralized, easily accessible facilities, and the hiring of numerous professionals in children's services have occurred mainly in periods of economic expansion. Even in the best of times, however, the out-of-school programs have not always been accepted as legitimate functions of local government. The two most frequently voiced criticisms have been: that these "quality of life" programs do not compare in importance to the "essential" city functions such as police and fire protection; and that the non-essential services, if they continue to exist at all, should make greater use of volunteers rather than trained professionals. As suggested earlier, these arguments threaten the very core of legitimacy of cultural and recreational institutions. The strength of their position largely depends on public acceptance that they perform valuable social, educational and economic functions; and that they require skilled, professional, paid staff in order to operate properly.[5]

These persistent questions about the legitimacy of children's

out-of-school services are at present complicated by several major social trends, including: A) a changing demographic profile, principally the declining proportion of children and the emergence of a constituency of two-parent working families and families headed by single parents; and B) the continuing climate of fiscal austerity in state and local government, giving new urgency to the debate over what services are essential, who should provide them, and who should pay for them.

Demographics

The 1970's and 80's have been a period of extraordinary demographic change, so rapid that social policymakers are just beginning to grasp their long-range significance.

The numbers are compelling.[6] On the one hand there were 11.6% fewer children under 18 years of age in 1980 than in 1970 (65.7 million in 1970; 58.1 million in 1980). The population is aging and, not surprisingly, children are less "in fashion" than they were say, in the baby boom period after World War II.

At the same time, the demographics reflect other changes suggesting that the number of families who need certain kinds of support and services is growing. In 1980 fully 52.8% of all children under 18 years of age lived in a family with a working mother; a 35.7% increase in the course of a decade. Even more dramatic, 42.9% of mothers with children under six years of age were in the labor force (an increase of 50.5% in

a decade).

Simultaneously, the number of single parent families continues to grow rapidly. Where 6.7 million children lived in a single parent familt in 1970, that number increased to 10.3 million in 1980--a rise of 54.2%. And of these single parents 6.4 million, or 62.4% were in the labor force (an increase of 80.9% in a decade).

Indicative of the impact that these changes in family structure have had on childrearing is the fact that in 1978 68% of children 3-5 spent some portion of the day in out-of-home care.[7] Similarly, nursery school enrollments increased by 71% between 1970 and 1979.[8] The apparent demand for out-of-the-home services as reflected in these few statistics points to one element of the problem currently confronting government agencies: while there are fewer children than in decades past, the nature of the family has changed so dramatically that their needs for social and community services are perhaps even more pressing and extensive.

Indications are that with the declining size of the youth cohort, taxpayers and legislators are less willing to vote for increases in spending on children's services. The phenomenon can be clearly seen in indices ranging from the fate of school bond elections to the proliferation of adults-only housing developments.

Some analysts attributed the overwhelming pro-Proposition 13 vote among elderly homeowners to their resentment of the

burden of supporting increasingly expensive yet often ineffective schools for other people's children. The general consensus seems to be that the late 1970's and the early 1980's represent a downward stage in the cycle of the political saliency of children's interests, contrasted (often in the false light of nostalgia) with the child-centered 1950's.

The Climate of Fiscal Austerity

While families may require more or different services as their patterns of daily life continue to change, an increasingly austere fiscal situation clouds the prospects for governmental response to the changes.

The 1980's will follow the trend of the 1970's, and the fiscal austerity that has already so markedly changed the nature of public sector services will continue.[9] To the extent that local government financial resources are constrained, children's services are likely to be affected first and to a greater degree than most other municipal services. This is probable because school and community services for children, beyond a limited number of mandated programs funded by other levels of government or required by law, are supported with discretionary monies. Whether they are offered, how they are administered, and how they are paid for, are choices made by local officials. No base of financial or political supports guarantees their integrity.

Through the 1970's and early 1980's, many state legislatures

acted to limit state and local government revenue collections or expenditures.[10] During the same period, voters' initiatives and referenda in other states significantly reduced state or local government revenues or spending (or constrained future growth in spending).[11] Coupled with continuing reductions in federal- and state-level funding for services generally, local governments will be hard pressed to meet their current commitments, much less respond to the kinds of needs suggested by changing family demographics.

Evidence in California indicates that in the wake of Proposition 13--the property tax reduction initiative--children's services have suffered disproportionate reductions.[12] It appears that the needs of families and children have been significantly compromised as a consequence of the "taxpayers' revolt."[13]

While these various expenditure limitation measures are not in and of themselves responsible for the pressures affecting children's services, the capacity of localities to meet needs and make commitments has been affected. The result is an uncertain future for children's services.

About This Report

This volume explores changes in children's services that have been brought about by efforts to limit local spending and taxation, and by unfavorable economic conditions. The four states selected for analysis represent contrasting economic

circumstances and several different versions of the tax limitation movement. A separate chapter, by Benson and Weinstock, provides an empirical overview of tax limitation efforts and their actual effect on revenues and expenditures, for all states.

The authors of papers on each state were charged with more than accounting for changes in tax burdens and expenditure levels. They were asked to examine changes in the process by which decisions about children's services are made in their state. Also, they were to seek information on the direct and indirect outcomes of budget reductions on families and children. This type of data, while it may differ from that used in strictly economic analyses of the tax revolt, should be helpful for understanding what children's services will look like in the years ahead. Will they be able to maintain their traditional accessibility to low income children and to meet the child care needs of the great numbers of employed mothers? What are the prospects for non-governmental methods of providing these services? What roles will state government play in out-of-school services as its influence over local finances grows?

The individual papers handle these issues in very different ways. Since the basic short-term consequences of Proposition 13 have been well documented, the two papers on California are somewhat more specialized. One focuses on how a set of programs, dubbed "the expendable curriculum," have been affected by budget constraints faced by the eight largest school districts. The other paper is an intensive analysis of the changing

relationships between governmental and non-governmental service provision in one city, against the background of similar changes across the state.

The situation in Massachusetts after the passage of Proposition 2-1/2 invites parallels with California, and the analysis here confirms some of the same trends. As in California, there is a great degree of diversity among the state's towns and cities in their responses to the revenue loss. This diversity is well documented through case studies of children's services in four communities.

In Michigan and New Jersey, spending and tax limitations, while important, have not dominated public finances as in Massachusetts or California. Nonetheless, a combination of economic recession (especially in Michigan) and shifts in federal priorities have created fiscal stress for cities, counties, school districts and state governments. Our analysts in these states have combined local case studies with exploration of the changing relationships between state and local budget-making.

Since most of the children's services analyzed here are locally provided and constitute only a small portion of public spending, they have not often been the subject of major discussions of social policy. The services can be important instruments for effective education, and social support for families, but only if the fiscal problems they face at present are resolved. Hopefully this report of fiscal trends, political strategies and service outcomes will contribute to the eventual resolution of these problems.

Footnotes

1. David Tyack, The One Best System: A History of American Urban Education (Cambridge: Harvard University, 1974).

2. Paul Boyer, Urban Masses and Moral Order in America, 1820-1920 (Cambridge: Harvard University, 1978); H.D. Meyer and C.K. Brightbill, Community Recreation (Englewood Cliffs, N.J.: Prentice Hall, 1956); Herbert J. Gans, "Recreation Planning in Leisure Behavior: A Goal Oriented Approach" (Philadelphia: Dept. of City Planning, University of Pennsylvania, 1957).

3. Described in detail in Victor Rubin, "The Historical Development of Children's Services" (Berkeley: Children's Time Study Working Paper Series, School of Law, University of California, 1981).

4. See Elliott A. Medrich and Victor Rubin, "Children's Out-of-School Services and the Urban Fiscal Crisis" (Berkeley: Children's Time Study, School of Law, University of California, 1981). A report to the U.S. National Institite of Education. Chapter 3.

5. This point is elaborated on in Victor Rubin, "Living With Less: Proposition 13 and Children's Services," in Kathryn Cirincione-Coles (ed.), The Future of Education: Policy Issues and Challenges (Beverly Hills: Sage Publications, 1981).

6. Data in this section are drawn from the following reports: U.S. Bureau of the Census, "American Families and Living Arrangements," Current Population Reports, Series P-23, No. 104 (Washington, D.C.: U.S. Department of Commerce, 1980); U.S. Bureau of the Census, "Fertility of American Women, June 1979," Current Population Reports, Series P-23, No. 358 (Washington, D.C.: U.S. Department of Commerce, 1980); U.S. Bureau of the Census, "Marital Status and Living Arrangements: March 1979," Current Population Reports, Series P-20, No. 349 (Washington, D.C.: U.S. Department of Commerce, 1980); and U.S. Bureau of Labor Statistics, Perspectives on Working Women: A Databook. Bulletin 2080 (Washington, D.C.: U.S. Dept. of Labor, 1980).

7. S. Kamerman and A. Kahn, Childcare, Family Benefits and Working Parents (New York: Columbia University, 1981).

8. Abt Associates, National Day Care Study: Preliminary Findings and Their Implications. Prepared for the Administration for Children, Youth and Families, Day Care Division, U.S. Dept. of Health, Education and Welfare (Cambridge, Mass.: Abt Associates, 1978).

9. Reviewed in detail in Medrich and Rubin, op. cit.

10. See Chapter Two.

11. Advisory Commission on Governmental Relations, State Limitations on Local Taxes and Expenditures (Washington: Governemtn Printing Office, 1977); Education Commission of the States, Tax and Expenditure Limitation Referenda (Denver: Education Commission of the States, 1980).

12. Victor Rubin and Elliott A. Medrich, "Childcare, Recreation, and the Fiscal Crisis," Urban and Social Change Review, 12, No. 1, Winter, 1979.

13. Tony Quinn, "Political Consequences of the Claifornia Tax Revolt," Tax Revolt Digest, September, 1979; Maureen Fitzgerald, "California's Future Under Proposition 13," Tax Revolt Digest, November 1980; Jack Stumpf and Paul Terrell, Proposition 13 and California Human Services (Millbrae: National Association of Social Workers, California Chapter, 1979); Rubin, op. cit.; League of Women Voters of California, State-Local Government Relationships: Study Guide II (San Francisco: League of Women Voters, 1980); Children's Rights Group, "The 1979-80 State Budget and Children's Services in California" (San Francisco: Children's Rights Group, March 1979); and Ted Vincent, "Prop 13 Zaps Recreation," East Bay Voice, October, 1979.

3.31.89

The Tax Limitation Movement of the 1970's: A National Perspective

Charles S. Benson and Phyllis Weinstock,
University of California, Berkeley

In this paper we make observations about tax limitations that have been adopted in various states. Our intent is not to deal in detail with the laws and initiatives passed in any one state, or even in any set of states; instead, we offer a kind of national perspective on changes that have occurred in the financing of state and local services.

The period of time to which our comments apply is the decade of the 1970's. True, certain states have long had tax limits in regard to state revenue measures; and, indeed, the whole apparatus of executive budgets, legislative scrutiny of budgets, the executive's privilege of veto of whole budgets or line items, etc., can be regarded as a generalized form of tax limitation. Local governments traditionally have operated under legal constraints towards revenue raising, of which the New England town meeting is perhaps the oldest surviving form.[1]

Nevertheless, we believe something happened in the 1970's that represents a major shift in the way that state and local governments do business. In commercial jargon, we see a "break in the trend line," a departure from the slow steady change that is characteristic of major, long-established in-

stitutions. Our special concern is how this shift in the way state and local governments do their business--assuming the phenomenon we seek to identify is real--affects the provision of public services for children. We make a number of inferences on this point, but we believe the reader will agree that they are firmly based.

Only in a very narrow sense is our paper predictive. It seems clear that federal support of state and local services will continue to decline at least through the middle of the 1980's. Actually, a relative decline in federal support predates the Reagan administration, as we show below, but we are now in a period of absolute reduction of support in current dollars. As of early 1983, we can anticipate with virtual certainty that larger reductions are forthcoming.

As for state and local revenues, we do not find we can make predictions. A number of states are in deep financial trouble, including California, our largest and one of our most prosperous. New York City is undergoing budget cuts of the order imposed during the near-bankruptcy of 1975. Seven states ended 1981-82 with a budget deficit and many more are expected to do so in 1982-83.[2] Some states and localities appear to have gotten into a situation where the revenues are income elastic on the downslope but inelastic on the rebound. In regard to meeting needs of people for public services, we have been ratcheting down, not up, in real resources available. In such a condition one needs either to impose new taxes and reduce

the constraints on existing taxes, such as indexation (the process of protecting taxpayers from the additional tax burden associated with inflation). Yet, the tax limitation movement makes these adjustments more difficult, and the federal government is now in a very weak position to engage in a bail-out.[3]

We recognize that these are quite limited predictions, but as of early 1983 the economic outlook and the federal government's budgetary problems, matters that are obviously related, are sufficiently portentous to instill modesty. We hope to offer the reader some information that may seem fresh and, with the best of luck, some information that will help the reader adjust his or her own predictions to the changing times.

The Extent of the Tax Limitation Movement

Table I shows, by state, tax limits and related actions that were approved during the decade of the 1970's. We note various types of limits. Some limits affect tax instruments used by state governments; other limits are those imposed by the state on use by local governments of their own revenue sources. Limits may be voted by state legislatures simply as statutes, affecting either their own revenue sources or those of local governments, or they may be incorporated into state constitutions. Ordinarily this latter action requires a vote of the people of the state. Tax limits may be written so as to specify the mechanisms by means of which they are rendered wholly or partly inoperative, called "override provisions."

TABLE 1

State and Local Tax and Spending Limitations in the 1970s

	State Limits				Local Limits (State Imposed)				
STATE	Year	Type of Law	Type of Limit	Override Provisions	Year	Type of Law	Entities Affected	Type of Limit	Override Provisions
ALAB					1979	C	c m sc	property tax rate limit ranging from 1% to 2%, depending on class of property	if requested by govt. of taxing unit, enacted into law by state legis., and approved by referendum in taxing district
ALASK					1973 (amended 1975)	S	c m	property tax levy limited to $1,000 per person or 225% of state average	
					1972	S	c m sc	property tax rate limited to 3%	
ARIZ	1978	C	expenditures limited to 7% state pers. income.	2/3 legis.	1980	C	c m sc	resid. prop. tax rate limit to 1%	
	1978		individ. income tax indexation		1980	C	c m sc	assessment increase limited to 10%	
					1980	C	c m sc	expenditure limit based on pop. & cpi. formula	
					1980	C	c m	levy limit 2% inc/yr.	
ARK					1980	C	c m sc	prop. tax levy limit to offset increase after reassessment	
CALIF	1979	C	appropriations increase limited to cpi & pop. incr.	legis. or voters may override temporarily with compensating reduction in 3 subsequent yrs.	1979	C	c m sc	appropriations increase limited to cpi & pop. inc.	same as state level
CO	1978		income tax indexation		1978	C	c m sc	prop. tax limited to 1%, and assessed value increase limited to 2% (unless sale)	2/3 local voter approval may impose special tax

COLO	1978		income tax indexation		1981	S	c m sc	full disclosure law*	
	1977	S	expenditure increase limited to 7%	majority of legis.	1976 (amendment to 1956 law)	S	c m	levy increase limited to 7%	voters or local govt. may exceed limit
CONN									
DEL	1980	C	appropriations limited to 98% revenue	60% legis.	1972	S	c	property tax levy limited to offset incr. after reassessment	
D.C.					(under control of U.S. Congress)				
FLA					1980 (amendment to 1971 law)	S	c m sc	full disclosure	
GA									
HA	1978	C	expenditures incr. limited to increase in state pers. income	2/3 legis.	1976	S	c	full disclosure	
IDA	1980	S	expenditures limited to 5 1/3% state pers. income	majority of legis.	1981	S	c m sc	prop. tax (in 1981 only) limited to 5% incr. over largest levy in last 3 yrs. or 1/2 growth in assessed value over 80	
					1981 (amendment to 1978 law)	S	c m sc	prop. tax rate limited to 1%	2/3 voter approval needed to exceed
ILL									
IND					1979 (amendment to 1973 law)	S	c m	for counties & munic., prop. tax levy growth limited to average growth in assessed value over past 3 years	

IOWA				1977	S	c m sc	limit on increases in assessed value (4%)		
				1971 (amended since)	S	sc	expenditures growth tied to growth in state revenues & cpi deflator & also, limits on increase in per pupil spending		
KANS				1971, 73 (amended since)	S	c m	prop. tax levy limited to growth in new construction	counties and home rule charters may modify	
				same		sc	expenditures limited to varying increases each year		
KENT				1979	C	c m sc	full disclosure: prop. tax levy limited to growth in assessed value unless public mtg. need		
LA	1979	S	certain revenues limited to ratio of 78-79 revenues to 1977 personal income (may be amended)	1978 (may be amended)	S	c m sc	prop. tax levy limit to offset increase after reassessment	may be exceeded with approval of majority of voters	
				1974		m sc	various specific rate limits	" "	
ME									
MD				1977	C	c m	full disclosure		
				1977	S	c m	homeowners receive credit assessment inc. 15% or more		
MASS				1980	S	c m s	prop. tax rate limited to 2.5% or 1979 rate, whichever is less; levy increase in succeeding years also limited to 2.5%	majority vote in local special election needed to exceed	

MICH	1978	C	revenues limited to prior year rate of revenues to personal income	2/3 legis. and governor	1978	C	c m sc	prop. tax levy limit rolls back rates when growth in assessed value exceeds that of cpi	may be exceeded with approval of majority of voters
MINN	1979		individual income tax indexation		1973 (amended 1981)	S	c m	prop. tax levy limited to 8% increase/year	may be exceed with voter approval
					1971	S	sc	state sets limit on levy which may be exceeded by district referendum	
MISS					1980	S	c m s	prop. tax levies limited to 10% increase/year till 1983, then 6%	
MO	1980	C	revenues limited to prior year ratio of revenues to personal income	2/3 legis. & governor	1978, 1980	C	c m sc	prop. tax levy limited to rise in cpi; all gen. revenues growth limited to rate of growth of rev. base	may be exceeded with voter approval
MONT	1980	S	individual income tax indexation		1974 (amended 1979)	S	c m sc	full disclosure	
NEB					1979	S	c m sc	revenue increase limited to 7%/year through 1984, unless pop. increases greater than 5%	may be exceeded by referendum or in time of emergency
NEV	1979	S	rise in budget requests limited to rise in inflation and pop. growth (between 75-77 and current yr.)	(may be amended)	1981 (may be amended)	S	c m	budget increase limit based on state estimates of prop. & sales taxes	can be exceeded in emergencies
							c m sc	various prop. tax levy levy limits	" "
NH									

MICH	1978	C	revenues limited to prior year rate of revenues to personal income	2/3 legis. and governor	1978	C	c m sc	prop. tax levy limit rolls back rates when growth in assessed value exceeds that of cpi	may be exceeded with approval of majority of voters
MINN	1979		individual income tax indexation		1973 (amended 1981)	S	c m	prop. tax levy limited to 8% increase/year	may be exceed with voter approval
					1971	S	sc	state sets limit on levy which may be exceeded by district referendum	
MISS					1980	S	c m s	prop. tax levies limited to 10% increase/year till 1983, then 6%	
MO	1980	C	revenues limited to prior year ratio of revenues to personal income	2/3 legis. & governor	1978, 1980	C	c m sc	prop. tax levy limited to rise in cpi; all gen. revenues growth limited to rate of growth of rev. base	may be exceeded with voter approval
MONT	1980	S	individual income tax indexation		1974 (amended 1979)	S	c m sc	full disclosure	
NEB					1979	S	c m sc	revenue increase limited to 7%/year through 1984, unless pop. increases greater than 5%	may be exceeded by referendum or in time of emergency
NEV	1979	S	rise in budget requests limited to rise in inflation and pop. growth (between 75-77 and current yr.)	(may be amended)	1981 (may be amended)	S	c m	budget increase limit based on state estimates of prop. & sales taxes	can be exceeded in emergencies
							c m sc	various prop. tax levy levy limits	" "
NH									

NJ	1976	S	expenditure increases limited to average rise in state personal income over prior two-yr. period	majority referendum	1976	S	c - m sc	prop. tax levy increase limited to 5%/yr. expenditures (own source) increase limited to 5%/yr. per pupil spending growth limited to 3/4 growth of valuation; plus ceiling	may be exceeded with referendum
NM					1979	S	c m sc	prop. tax levies limit based on increases in assessed value	
					1977	S	c m sc	assessed value increase limited to 10% per year	
NY									
NC					1973	S	c m	prop. tax rate limited to 1.5%	levies for certain purposes may be excl. from limit w/referendum
ND					1981	S		prop. tax levy increases limited to 7%/year	
OHIO					1976 (amended 1980)	S	c m sc	prop. tax levies above 10 mills rolled back to offset increases in assessed value	10 mills limit can be exceeded by municipal charter or majority vote
OKLA									
ORE	1979	S	expenditure increase for biennium limited to incr. in state personal income over past 2 yrs.	may be amended	1979	S		assessment average statewide limited to 5% increase	
PA			(proportional income tax) prevents unlegis. income tax increases						

RI	1977	S	requests increase in budget limited to 8%	(non-binding)					
SC	1980	S	expenditure increase limited to growth in state personal income over previous 3 yrs.	may be amended					
	1980		individual income tax indexation						
SD			(varying prop. tax rate limits dating from early 1900s) "Prop. 13 style limit planned for 1982 ballot."						
TENN	1978	C	expenditure growth limited to growth of state personal income	majority legis.	1979	S	c m sc	full disclosure; local tax rates must produce same levy in current year as in previous year	
TEX	1978	C	increases in appropriations limited to growth in state personal income	majority legis.	1978	C	c m sc	full disclosure; prop. tax levy limited to 3% increase unless public meeting held	
					1976 * (& amended since)	C	c m sc	varying specific prop. tax rate limits	
UT	1979	S	appropriations increase limited to 85% of rise in state personal income	2/3 legis.	(specific prop. tax rate limits dating from 61 & 65, and amended in 75)				
VA					1975 (amended 79 & 81)	S	c m	full disclosure; if prop. tax increases more than 1%	
VT					1978		sc	limit on exp. increase: $50 per ADM	
WASH	1979	S			1977	S	s	revenue increases limited to 10% of school costs	
					1971	S	c m	prop. tax levy limited to 106% of highest levy of past 3 years.	with voter approval

W.VA.							
WIS	1979	individ. income tax indexation	1973	S	c m	levy rate of increases limited to rate of increase in statewide equalized valuation	may be exceeded with referendum
			1975		sc	expenditure limit based on per pupil spending	
WYO							

S = statutory
C = constitutional

c = counties
m = municipalities
sc = school districts

*full disclosure: public hearing is required if district chooses to exceed property tax rate established by state to maintain total level equal to the previous years.

States with property tax limits established prior to 1970 (most are specific limits; i.e. vary with type of local government entity).

ALA	OHIO
ARK	OKLA
COLO	ORE
FLA	PA
GA	SD
ILL	UTAH
KAN	W.VA
KENT	WISC
MICH	WYO
MISS	
MONT	
NEB	
NEV	
NM	
NY	

SOURCES:

Advisory Council on Intergovernmental Relations, Significant Features of Fiscal Federalism, 1980-81

and

Friedrich J. Grasberger et. al, "State and Local Tax and Expenditure Limitations: An Inventory," Center for Governmental Research Inc., Rochester, N.Y. May 1980

Ordinarily, override provisions specify the percentage of vote required, say two-thirds, in the legislature or in the local community that is sufficient to call forth higher taxes. Lastly, we note that local tax limits may be applied to all types of local governments (ordinarily counties, municipalities, or school districts) or only to some of them, in the given case.

Table I describes these various features of tax limits as they were imposed during the 1970's (and through the year 1981). Some action was taken toward local governments in 37 states. Of the 37 states, 23 underwent restrictions on the use of state tax instruments. Two states, Rhode Island and South Carolina appeared to impose state tax limits but not local. Thus, overall, 39 states were directly affected, or 78 percent of the 50 (the District of Columbia should not be counted, since its financial affairs are controlled by the U.S. Congress).

Local tax limits most often are expressed either as a maximum annual rate of growth in revenues or as a maximum increase in yield relative to growth, if any, in assessed value of taxable properties. State tax limits commonly are defined in terms of level or change in state personal income (either in current or real dollars) or in terms of indexing the income tax, to the end that taxpayers are not pushed into higher tax brackets under inflationary increases in their incomes.

We draw the conclusion from Table I that tax limitation activity during the 1970's represents something more than quixotic behavior of some handful of leading states. It was

a reasonably pervasive phenomenon, not confined by region (though the New England region was not exactly a full participant) nor by wealth of state nor by form of dominant economic activity (e.g. manufacturing vs. farming).[4]

Changes in State and Local Revenues

Tax limits are intended to curb growth in state or local revenues. Let us shift our attention now to changes in the pattern of state and local revenues in the 1970's. We do this in order to address the following question: did states that imposed tax limits during the decade show a levelling off of revenue growth that was in any way unusual? In a sense, we are asking if revenue limits work, and obviously the question does not apply to states that imposed revenue limits as late as 1980 and 1981.

State legislators and local officials have the power to curb revenue growth in the absence of tax limitations. The imposing of limits is an act of discipline or abnegation. The intent is to make it harder for legislators or local officials to bend to the demands of pro-expenditure advocates. Where the limitation is passed by a vote of the people, moreover, the politicians can then justify budget constraint as reflecting the wishes of the people or a majority of the electorate. Although tax limitations can be circumvented, extraordinary measures such as a special referendum or declaration of an "emergency" by the legislature are required.

We use estimates of state and local revenue from U.S. Bureau of the Census, Governmental Finances, GF, No. 5, various years. The figures to be quoted, it should be emphasized, refer to the total of state and local revenue in each state, as derived from "own sources," meaning that grants from the federal government are excluded (these are shown separately below). The revenue figures are "general," meaning that all receipts are included, except, as noted, revenue from the federal government, and except utility revenue, liquor store revenue, and insurance-trust revenue. In other words, the figures now to be presented are drawn almost altogether from state and local taxes.

Table II shows absolute amounts of revenue in per capita terms for three years, 1971-72, 1975-76 and 1979-80, and Table II also shows annual compound rates of change in revenue from own sources for three periods: 1972-76, 1976-80, and for the complete period, 1972-80. By dividing the decade into two equal parts, we are able to see whether there was a change in the rate of growth of revenue during the period of the 1970's and, if so, whether that change was an acceleration or deceleration.

Given the pervasiveness of the tax limitation movement, we would expect a substantial falling off of revenue growth, and this indeed did happen notably in California, Idaho, Kentucky, Maine, Maryland, Nevada, New York, North Dakota, Oregon, South Carolina, and West Virginia. In other states,

Table II

Per Capita General Revenue from Own Sources, State and Local Governments

		Absolute Amounts in Current $			Average Annual Rate of Growth		
		71-72	75-76	79-80	72-76	76-80	72-80
1	ALAB	441.32	659.19	985.56	10.5514	10.5778	10.5645
2	ALAS	1057.91	2543.25	7840.68	24.5190	32.5076	28.5133
3	ARIZ	634.98	926.03	1309.39	9.8920	9.0463	9.4692
4	ARK	418.15	614.26	902.25	10.0919	10.0898	10.0909
5	CALF	828.71	1188.38	1545.34	9.4305	6.7867	8.1085
6	COLO	655.59	984.66	1407.23	10.7040	9.3376	10.0209
7	CONN	723.18	916.27	1309.07	6.0948	9.3289	7.7119
8	DEL	756.20	1074.93	1493.14	9.1908	8.5626	8.8767
9	DC	752.20	1125.31	1724.50	10.5948	11.2622	10.9285
10	FLA	567.44	786.72	1077.44	8.5113	8.1791	8.3452
11	GGA	530.83	761.92	1116.57	9.4557	10.0257	9.7407
12	HA	798.28	1167.02	1629.35	9.9590	8.7011	9.3301
13	IDA	528.59	791.88	1075.92	10.6331	7.9643	9.2987
14	ILL	668.45	929.52	1341.08	8.5919	9.5971	9.0945
15	IND	570.68	772.58	1031.29	7.8668	7.4878	7.6773
16	IOWA	623.00	919.86	1315.19	10.2322	9.3493	9.7907
17	KAN	591.91	858.96	1269.79	9.7563	10.2655	10.0109
18	KENT	466.45	719.87	1005.84	11.4583	8.7223	10.0903
19	LA	576.46	873.63	1275.47	10.9531	9.9223	10.4377
20	MNE	554.78	813.62	1061.53	10.0462	6.8754	8.4608
21	MD	678.03	1029.90	1484.03	11.0162	9.5625	10.2894
22	MASS	728.90	1050.89	1478.22	9.5777	8.9044	9.2411
23	MICH	716.84	980.53	1467.51	8.1459	10.5063	9.3761
24	MINN	747.15	1080.96	1582.20	9.6732	9.9925	9.8329
25	MISS	470.32	682.42	947.83	9.7525	8.5600	9.1562
26	MO	522.81	718.63	1003.15	8.2780	8.6967	8.4873
27	MONT	634.25	935.75	1355.65	10.2110	9.7102	9.9605
28	NEB	606.55	880.43	1372.43	9.7633	11.7375	10.7504
29	NEV	816.22	1130.87	1435.69	8.4929	6.1479	7.3204
30	NH	525.17	729.24	987.24	8.5532	7.9669	8.2103
31	NJ	665.91	960.95	1413.30	9.6027	10.1244	9.8635
32	NM	594.31	898.30	1507.75	10.9797	13.8222	12.3510
33	NY	937.44	1393.43	1842.59	10.4169	7.2348	8.8259
34	NC	472.21	676.05	982.90	9.3859	9.8077	9.5967
35	ND	609.63	1017.56	1485.42	13.6641	9.9189	11.7915
36	OHIO	538.90	781.88	1100.13	9.7509	8.9121	9.3315
37	OKLA	513.31	745.30	1175.02	9.6644	12.0543	10.8593
38	ORE	608.04	976.65	1460.45	12.5775	10.5826	11.5801
39	PA	620.17	822.75	1231.61	7.3221	10.5118	8.9669
40	RI	598.09	873.59	1335.90	9.9348	11.2030	10.5689
41	SC	446.24	692.01	978.55	11.5927	9.0490	10.3204
42	SD	615.04	799.44	1146.23	6.7753	9.4262	8.1007
43	TENN	462.67	664.21	937.03	9.4608	8.9838	9.2223
44	TEX	500.98	786.19	1160.58	11.9249	10.2267	11.0758
45	UTAH	552.78	797.74	1165.97	9.6042	9.9529	9.7785
46	VT	686.03	923.54	1192.99	7.7155	6.6093	7.1624
47	VA	525.45	785.86	1137.69	10.5868	9.5904	10.1385
48	WASH	714.23	990.57	1429.49	8.5205	9.5032	9.0619
49	WVA	484.20	750.51	1074.61	11.5791	9.3890	10.4841
50	WISC	721.82	1004.91	1429.87	8.6237	9.2175	8.9206
51	WYO	748.21	1202.12	2126.85	12.5851	15.3313	13.9582

Source: U.S. Bureau of the Census, Governmental Finances, Series GF 5, various years

there was either an acceleration of revenue growth, as in Alaska and Connecticut or a modest decline in the rate of growth.

Table II reveals that 29 states underwent a deceleration of revenue growth, however slight, and 22 states experienced an acceleration of revenue growth, the tax limitation movement notwithstanding.

In most states, state and local revenues are drawn from the incomes of residents. (This is to say that when state governments tax corporations, tax exporting and importing pretty much cancel each other out, and in the general case, personal income taxes and the general sales tax, other main sources of revenue along with the gasoline tax, are paid by residents.) There are exceptions: Hawaii, Nevada, and New Hampshire draw a lot of revenue from tourists and oil-rich states, like Texas, Oklahoma, and Alaska can shift their tax burdens outside to a significant degree. But the more typical case is to expect a relationship between changes in state personal income per capita and changes in state and local revenue.

Accordingly, we performed the following exercises. We computed for each state the ratios,

$$R = \frac{\text{Average Annual Rate of Growth in Own State-Local Revenues, 1976-}}{\text{Average Annual Rate of Growth in Own State-Local Revenues, 1972-}}$$

and

$$Y = \frac{\text{Average Annual Rate of Growth in Personal Income, 1976-80}}{\text{Average Annual Rate of Growth in Personal Income, 1972-76}}$$

and we then computed the correlation between the two ratios,

with income change as the independent variable. The coefficient of determination, r^2, was only 0.0029. Plainly, during the decade of the 1970's, other conditions than change in personal income were influencing the rate of own revenue growth.

As a next step, we computed the ration R/Y for each state, calling this ratio a measure of revenue demand (RD). The meaning can be explained as follows. Assume we have a state that experienced a marked acceleration in growth of personal income per capita in the second half of the decade of the 1970's and that also experienced a large decline in the rate of growth in state and local own revenue. This would be a condition, we suggest, of a low level of demand for revenue to support state and local public services; the value of RD would be low. In contrast, imagine a state in which there is a big decline in the rate of growth in personal income from the first half of the decade to the second and, on the other hand, a notable acceleration in state and local own revenue growth. This would be a condition of a high level of demand for publicly-financed services, and the value of the ratio, RD, would be correspondingly high.

Table III displays the values of the ratio RD, with the states ranked from high to low. We take the top 13 states ranked in RD (in effect, the top quartile) for further analysis, along with the lowest 13 (the bottom quartile). One question to ask is whether the high RD states were largely free of tax limitations; correspondingly, we need to see if the low RD

Table III

Revenue Demand, Decade of the 1970's, States Ranked from High to Low

State	Value of Revenue Demand	State	Value of Revenue Demand
Alaska	4.783	Louisiana	0.883
Pennsylvania	1.402	New Jersey	0.875
New Mexico	1.270	South Carolina	0.870
Illinois	1.167	Kentucky	0.865
Michigan	1.133	Virginia	0.855
Arkansas	1.078	Texas	0.849
Washington	1.078	Hawaii	0.822
Alabama	1.057	Ohio	0.821
Oklahoma	1.057	Delaware	0.790
Utah	1.042	Montana	0.785
Wyoming	1.035	Minnesota	0.781
North Carolina	1.030	Oregon	0.778
Connecticut	1.028	New Hampshire	0.778
Rhode Island	1.014	Idaho	0.761
Nebraska	0.991	Vermont	0.756
Tennessee	0.975	Florida	0.702
Indiana	0.968	Maine	0.698
Georgia	0.965	Colorado	0.680
West Virginia	0.944	Maryland	0.680
D.C.	0.943	Massachusetts	0.672
Missouri	0.932	Arizona	0.634
South Dakota	0.923	North Dakota	0.594
Kansas	0.913	California	0.593
Mississippi	0.903	Nevada	0.578
Iowa	0.897	New York	0.550
Wisconsin	0.888		

Sources: U.S. Bureau of Economic Analysis, Survey of Current Business, July, various years; U.S. Bureau of the Census, Governmental Finances, Series GF 5, various years.

states were heavily encumbered with limits. Table IV displays some results on these two points, using data from Table I. Eight of the 13 high revenue demand states imposed new or additional limits on local revenue raising during the 1970's and 10 of the low revenue demand states did likewise, suggesting that local tax limitation was slightly more characteristic of the low revenue demand states. Somewhat more impressive is the fact that only two of the 13 high revenue demand states imposed state tax limits during the 1970's, while five of the low revenue demand states did so.

Nevertheless, revenue curbing can occur in the absence of tax limits: witness the performance of New York,[5] Maine, and New Hampshire in Table IV. Likewise, revenue expansion can occur in the presence of tax limits, as the behavior of Michigan and Utah shows (again Table IV).

A closer perusal of Table IV reveals that for the set of high revenue demand states, at least six of the local tax limitations were passed in time to affect revenue growth by our cut-off date of 1980, i.e., by the year 1978. In the case of low revenue demand states only four of 10 local tax limitations were passed by 1978 and two of the state tax limits were passed in 1979 and 1980. In sum, though Table IV first appears to indicate that the low revenue demand states were more heavily encumbered with tax limits than high revenue demand states, this finding is considerably weakened when one considers the dates that the various limits were passed. One

Table IV

Tax Limits of the 1970's: High Revenue and Low Revenue Demand States Compared

High Revenue Demand States	Tax Limits			
	State Level	Date [1]	Local Level	Date [1]
Alaska	No	-	Yes	1972
Pennsylvania	No	-	No	-
New Mexico	No	-	Yes	1977
Illinois	No	-	No	-
Michigan	Yes	1978	Yes	1978
Arkansas	No	-	Yes	1980
Washington	No	-	Yes	1971
Alabama	No	-	Yes	1979
Oklahoma	No	-	No	-
Utah	Yes	1979	Yes	1975
Wyoming	No	-	No	-
North Carolina	No	-	Yes	1973
Connecticut	No	-	No	-
Low Revenue Demand States [2]				
New York	No	-	No	-
Nevada	Yes	1979	Yes	1981
California	Yes	1978	Yes	1978
North Dakota	No	-	Yes	1981
Arizona	Yes	1978	Yes	1980
Massachusetts	No	-	Yes	1980
Maryland	No	-	Yes	1977
Colorado	Yes	1977	Yes	1976
Maine	No	-	No	-
Florida	No	-	Yes	1980
Vermont	No	-	Yes	1978
Idaho	Yes	1980	Yes	1981
New Hampshire	No	-	No	-

1. Where multiple limits were passed, date refers to the earliest limitation of the decade.

2. Listed from the lowest RD values to higher ones.

Sources: Tables I and III.

could thus conclude that the tax limits in low revenue demand states were simply an adjunct, an extra measure, complementary to a general policy of tax curbing.

Accounting for Tax Limitations

From Table I we can see that the majority of tax limiting actions were taken in the second half of the decade of the 1970's. Could these actions reflect "runaway growth" of revenues in the state or local public sectors during the first half of the decade? Some would maintain that this is what happened in California, where inflation pushed people into higher state income tax brackets, and also increased their home values and therefore their property tax bills (even though local tax rates were largely unchanged or lowered in this period). The state's executives failed to make the case that public needs were growing at a rate sufficient to absorb the revenues that were being generated. A surplus accumulated and a tax revolt succeeded where earlier, similar efforts had failed.

Our analysis of this matter proceeds as follows. We establish two sets of states: the first includes those states, 18 in number, that imposed both state and local tax limitations during the decade and the second includes those states, 10 in number, that imposed neither. We may assume that people in the first set of states have more intense feelings about the desirability of tax limits than do the people in the second set.

These two sets of states are displayed in Table V.

In Column (2) of Table V, we show the ratio of own revenue growth (state and local combined) during 1972-76 to growth in state personal income, same years. From the argument above, we would expect a propensity toward tax limitation to exist in those states where revenue growth outstripped income growth in the first half of the decade.

Table V also offers information on two additional variables that may help to explain inter-state comparisons on tax limitations. One is rate of unemployment. High rates of unemployment are characteristic of economic uncertainty and fearfulness. They might suggest defensive behavior to prevent tax inroads into one's precariously-held private income and assets, such as one's house. The unemployment data are for the recession year of 1975, mid-decade. The second variable is migration. A high rate of out-migration is a likely result of factory closings and limitation of economic opportunity generally. Such conditions might breed tax revolt. On the other hand, a high rate of in-migration might provoke established residents to try to seek protection from the revenue demands (for more schools, more health facilities, etc.) of new arrivals, and the logical means to get that protection is through tax limits. Tax limitation thus may be associated with <u>either</u> high rates of out-migration or high rates of in-migration. Column (4) shows rates of migration, 1975 compared with 1970.

Table V offers modest confirmation of the assertion that

Table V

Comparisons of States with High-and Low-Propensity Toward Tax Limitations in Terms of Revenue Growth, Unemployment, and Rates of Migration

(1) States with High Propensity Toward Tax Limits:	(2) Ratio of Own State-Local Revenue Growth to Growth in State Personal Income, 1972-76	(3) Rate of Unemployment, 1975	(4) Net Rate of Migration [1]
Arizona	1.294	12.1	18.5
California	1.022	9.9	1.0
Colorado	1.172	6.9	9.4
Delaware	1.085	9.8	1.9
Hawaii	1.143	8.2	-0.2
Idaho	1.076	6.2	8.0
Louisiana	0.949	7.4	0.2
Michigan	0.916	12.5	-2.1
Minnesota	1.058	5.9	-0.5
Missouri	0.895	6.9	-0.6
Montana	1.120	6.3	3.6
Nevada	1.000	9.7	15.9
New Jersey	1.120	10.2	-1.3
Oregon	1.309	10.6	6.0
Tennessee	0.973	8.3	3.1
Texas	1.063	5.6	3.8
Utah	1.009	6.8	3.3
Wisconsin	0.913	6.9	0.6
Average	1.062	8.3	3.9
National Average Values	1.050	8.0	0.9

Table V - Continued

(1)	(2)	(3)	(4)
States with Low Propensity Toward Tax Limits			
Connecticut	0.739	9.1	-0.1
Georgia	1.068	8.6	2.4
Illinois	0.886	7.1	-3.2
Maine	0.982	10.3	3.6
New Hampshire	0.921	9.1	6.6
New York	1.324	9.5	-4.4
Oklahoma	0.929	7.2	2.8
Pennsylvania	0.757	8.3	-1.6
West Virginia	1.061	8.6	0.5
Wyoming	1.129	4.2	7.6
Average	0.980	8.2	1.42

1. Whites only.

Sources: U.S. Bureau of Economic Analysis, Survey of Current Business, July, various years; U. S. Bureau of the Census, Governmental Finances, Series GF 5, various years, and Current Population Reports, Series P-23, No. 67 and Series P-25, No. 460, and Statistical Abstract of the United States, 1981, p. 392.

tax limitation results from a high rate of revenue growth. Among the 18 states that imposed limits at both state and local levels, 13 show state-local revenue increase at a rate higher than growth in state personal income (per capita). Among the 10 states that imposed no limits, six had revenue growth at a lesser rate than personal income, and in only two, New York[6] and Wyoming, could revenue growth be regarded as really high relative to income.

The states showing a high propensity toward the limitation also tended to have relatively high rates of in-migration: in 10 cases it was over three percent. There is no readily discernible relationship of tax limitation to unemployment.

We conclude that the possibility of obtaining real growth in the state-local public sector diminished substantially during the decade of the 1970's. Where revenue increase exceeds increase in personal income, pressure for imposition of tax limits mounts. Where people seek to better themselves by internal migration, the receiving states resist expanding the size of the public sector. Yet, given that the state-local public sector is more vulnerable to inflation than the private economy (for the reason, apparently, that it offers less opportunity to substitute ever more efficient capital goods for labor), some transfer of current dollars for private consumption into state-local government is required just to hold the provision of state-local services at a constant level per capita.[7]

In any case, it looks like a zero-sum game in the state-local sector. Improvements in services for children and young people are to be got, it would seem, at the price of services aimed toward other groups or for the benefit of the population at large. Taking account of needs to rebuild urban infrastructure, protect the environment, provide health services for older people, meet increasing pension requirements of an aging state-local labor force, and provide a safety net for structurally-displaced workers and their families, the competition for funds to upgrade children's services is almost certain to be fierce.

Changes in State and Local Expenditures in an Era of Tax Limitation

We have also examined certain major series of expenditures. Charts I-III offer a graphic portrayal of changes in state and local expenditures during the 1970's. Chart I refers to total direct expenditures of state and local governments combined, defined as payments to employees, suppliers, contractors, beneficiaries and other final recipients of governmental payments. Chart II shows changes in support of local schools, taking account of state and local payments but excluding federal. Chart III describes changes in welfare payments, i.e., payments and assistance to low income persons contingent upon their need. Pension payments and payments to individuals not contingent on need are excluded. In each

chart there is a double bar for each state, the left part referring to average annual rate of change in expenditure from 1972 to 1976 and the right part refers to the rate of change from 1976 to 1980.

With regard to direct expenditures, 43 states experienced a decrease in the rate of increase, comparing the second half of the decade with the first. In some states, such as Colorado, Florida, Hawaii, Idaho, Ohio, and Oregon, the tailing off of expenditures was especially strong, and almost certainly these states moved into a position where expenditures were falling in real dollars given the high rates of inflation that characterized the second half of the decade. Comparison of Chart II with Table I shows that decline in the relative rate of expenditure change was considerably sharper than decline in own revenues, indicating that states were accumulating surpluses or paying off debt in the second half of the decade.

Chart II indicates that 40 states had a relative decline in local schools expenditures during the second half of the decade. The decline was in some cases (Arizona, California, Ideaho, Illinois, Rhode Island, and Vermont) even more dramatic than the fall off in total direct expenditures. In general, the pattern of states' experiencing a large relative decline in local school outlays is much more pronounced than in the case of total direct expenditures.

In the case of welfare, Chart III reveals that nearly half of the states (22) underwent a relative increase of expendi-

tures during the decade. In some cases, the jump in rate of growth between the first and second half of the decade was truly extraordinary, as Chart III shows. We were able to make inquiries in some of these high increase states as to what happened and here, in brief, are the results.

Alabama - The Food Stamp Act of 1977 eliminated a "purchase requirement" for food stamps. Alabama's food stamp caseload grew about 150 percent between 1977 and 1980; the costs of administering the food stamp program doubled. There was also a large expansion in Medicaid eligibility.

Alaska - During the boom years of pipe-line construction (1974-76) welfare caseload fell sharply but then increased from 1977, after the construction work tapered off, at a rate of 8-12 percent until 1980. There were also increases in benefit levels in 1978, 1979, and 1980.

Arizona - The rise in welfare outlays is apparently attributable to increases in AFDC payments and in costs of administering the food stamp program.

Mississippi - Under state law, maximum payments under AFDC were doubled in 1978.

Oklahoma - State standards for AFDC payments went up by about 50 percent from 1975 to 1979. The number of persons eligible for Medicaid and food stamps rose significantly, resulting in larger total payments and administrative costs.

Washington - The level of AFDC payments was increased in 1979. Changes in federal regulations in 1976 resulted in a

relaxation of eligibility for AFDC (people receiving unemployment compensation became eligible) and general assistance ("employable people" became eligible).

Let us now turn our attention back to school expenditures, since these are the closest we can come in this paper to expenditures on services specifically for children and youth. Table VI shows the top and bottom quartiles of states ranked by change in local schools expenditure growth: the highest quartile includes the states that had a relative increase in expenditure growth, along with two states that experienced the smallest relative decline, and the lowest quartile includes those states that the largest tailing off of expenditure growth (columns 1 and 2). Comparing the membership of the two quartiles, it is hard to discern any geographic, size, or industrial composition pattern to the display.

On the other hand, one might reasonably expect that enrollment change would influence the pattern of expenditure change for local schools.[8] Nationally, enrollment in public elementary and secondary schools declined by 8.9 percent between 1970 and 1980. Column 3 of Table VI shows enrollment change in the states of the upper and lower quartiles. Roughly half of the upper quartile states, seven in number, had enrollment declines in excess of the national average and roughly half of the lowest quartile states, six in number, had positive enrollment growth in the face of national average decline. A systematic connection between enrollment change and expendi-

Table VI

Comparison of States Showing High and Low Rates of Advance in Local School Expenditures, Relative to Enrollment Change, Teachers' Salaries, and Welfare Expenditures

(1) States with Relatively High Ratios of Expenditure Advance for Local Schools	(2) Ratio of Average Annual Change in Exp. Per Capita on Local Schools, 1976-80/1972-76	(3) Percentage Change in Public School Enrollment, 1970-80	(4) Percentage Change in Real Income of El/Sec Teachers, 1970-80	(5) Ratio of Average Annual Change in Exp. Per Capita on Welfare, 1976-80/1972-76
Delaware	1.683	-20.0	-12.2	0.972
Wyoming	1.589	+10.3	- 4.0	1.369
Indiana	1.429	-11.4	-19.9	0.823
Connecticut	1.413	-12.2	-12.3	1.293
South Dakota	1.357	-19.8	- 6.5	0.791
Washington	1.319	- 6.7	0.0	2.902
Iowa	1.262	-17.1	- 7.7	0.663
Oklahoma	1.120	- 4.9	- 7.7	8.758
Hawaii	1.111	- 5.6	- 6.6	0.507
New York	1.108	-15.5	- 6.5	0.535
New Mexico	1.040	0.0	+15.2	5.147
Nevada	0.995	+19.4	-14.7	0.356
Pennsylvania	0.992	-15.1	- 6.7	0.528
National Average	0.793	- 8.9	- 7.5	1.563

Table VI - Continued

(1)	(2)	(3)	(4)	(5)
States with Relatively Large Decreases in Expenditure Advance for Local Schools				
Alaska	-1.952	+15.6	+23.6	4.238
Idaho	0.309	+12.8	- 5.4	0.681
Vermont	0.365	- 0.2	-22.7	0.205
California	0.3823	-12.0	- 3.6	2.307
New Hampshire	0.439	+12.5	-21.5	0.677
Maryland	0.440	-12.8	- 9.2	0.988
Colorado	0.441	+ 2.4	+ 1.0	0.804
Maine	0.488	- 5.0	+ 4.7	1.129
Illinois	0.498	-12.1	-12.3	0.708
Utah	0.502	+10.3	- 5.2	1.502
North Carolina	0.506	- 3.0	- 7.6	1.849
Montana	0.514	- 9.7	- 9.4	1.430
Florida	0.516	+ 7.1	-14.0	1.716

Sources: U.S. Department of Education, National Center for Educational Statistics, Digest of Educational Statistics 1981, p. 62, and sources cited in Table V.

ture change is thus hard to detect at this level of analysis.

We can be somewhat more conclusive about the matter of teachers' pay. Teachers' salaries are a major item in local school budgets. Some would hold that maintaining the relative economic standing of teachers in the marketplace is a necessary condition to protect standards of educational quality. During the decade of the 1970's, teachers in the United States lost ground, as their average pay in real terms fell by 7.5 percent. This occurred during a period of years when personal income per capita advanced 24.8 percent in real terms.[9] Because the decade of the 1970's was a time of declining school enrollment, and recognizing that enrollment decline is generally accompanied by a gradual aging of the teaching force, it would be hard to contend that the decline in the relative economic position of teachers represented nothing more than the substitution of younger, less experienced and hence cheaper staff for older staff, as may occur in the period of enrollment growth.

It is interesting, then, to compare changes in real income of teachers in the two quartiles of states, the one in which there was the greatest relative decline in school expenditures and the other in which there were, generally speaking, advances in the rate of expenditure growth for schools. The results are shown in Column 3 of Table VI. In 10 of the low expenditure states, teachers lost ground in real salaries, and in four cases the loss was greater than 10 percent (Vermont,

New Hampshire, Illinois, and Florida).

For the high (relative) expenditure advance states, the picture is more dramatic. In only one of these 13 states, New Mexico, did teachers make an advance, and in six of these states, the loss to teachers exceeded the national average. So even in states that were in a positive expenditure position toward schools during the decade of the 1970's, teachers lost out, and the extra money did not reach them. There are various ways in which the money otherwise could have been spent. Costs of heating, cooling and maintaining school buildings rose rapidly during the decade, as did costs of student transportation. More probable is that the extra funds were spent on non-instructional programs for students: meals, medical care, and special programs for the handicapped are obvious examples.

From the point of view of child welfare, this finding leads us to a point of ambiguity. Special services for children may be "more important" than basic instruction, and certainly this would be true for children who are hungry and sick. Other public agencies may have been failing to provide special services in adequate measure, so possibly it was correct that schools stepped in to fill the breach.

Nevertheless, the schools have been prodded into this special services role by the federal government, and, as we shall shortly see, federal contributions to state and local governments tailed off in the second half of the decade, re-

sulting in a likely encroachment of costs of special services on expenditure requirements for basic instruction. In the meantime, concern about the quality of teaching in the public elementary and secondary schools, especially in the fields of mathematics and science, mounts.[10]

With regard to Table VI, we note lastly that there appears to be no discernible direct competition between expenditures on schools and on welfare. Column 5 of Table VI indicates that five of the high school expenditure states had a relative increase in welfare expenditures during the decade and six of the low school expenditure states had a decrease in welfare requirements. There is then no clear pattern of welfare encroachment outside the educational sector.

Federal Revenue: The Relation to State-Local Expenditure Change

The decade of the 1970's was characterized not only by revenue curbing in state and local governments but also by a falling off in the second half of the contributions that the federal government makes to state and local operations. It should be emphasized that this falling off of federal assistance predates the Reagan administration and its drive for a "new federalism."

Chart IV, following the general format of Charts I-III reveals a general pattern of relative cutbacks in federal contributions. In only two states, Illinois and New Mexico, did the rate of increase of federal contributions become higher

in the second half of the decade. Moreover, it is plain that the relative cutbacks were more severe in some states than others. Table VII, as before, displays upper and lower quartiles of states according to whether they suffered a small cutback, relatively speaking, in federal funding or a relatively large cutback. There is no obvious pattern by geography, etc., in the ranking.

Column (3) allows us to see whether the protected states and the states vulnerable to cutbacks had high or low proportions of families in poverty. It is reasonably clear that the protected group had more instances of a high proportion of poverty families. Accordingly, the federal government can be seen as helping to put a floor under state and local services in states where relatively large numbers of people are poor.

Likewise, Column (4) allows us to relate the degree of federal cutback to the degree of slow-down in state and local direct expenditures. The protected group of states (in terms of federal aid) tended to reduce state and local expenditures less than did the states that were subject to relatively large cutbacks. In terms of meeting the needs of poverty families, this all may represent something good, but it also leaves a group of states that were subject to unusually large reductions at both the federal and the state-local levels. These include Hawaii, Pennsylvania, Iowa, Rhode Island, South Carolina, Idaho, Colorado and Minnesota. But what the common characteristic of this set of states is remains a mystery. It

Table VII

Comparison of States Showing High and Low Rates of Advance in Federal Assistance Relative to Poverty Status of Families and Rate of Change in Total Direct Expenditures

(1) States with Relatively Low Decrease in Federal Assistance	(2) Ratio of Average Annual Change in Fed. Assistance Per Capita, 1976-80/1972-76	(3) Percentage of Families Below Poverty Level, 1979	(4) Ratio of Annual Average Change in Direct State and Local Expenditure 1976-80/1972-76
Illinois	1.239	8.6	0.756
New Mexico	1.218	13.8	1.081
Mississippi	0.971	19.5	0.801
Montana	0.971	9.1	0.771
Alabama	0.947	13.9	0.808
North Dakota	0.904	9.6	0.989
California	0.895	8.6	0.653
Missouri	0.889	9.2	1.126
Delaware	0.842	8.8	0.886
Maine	0.828	9.7	0.832
Florida	0.817	9.5	0.605
D.C.	0.812	16.0	0.941
Connecticut	0.809	6.6	1.348
National Average	0.637	9.6	0.833

Table VII - Continued

(1)	(2)	(3)	(4)
States with Relatively High Decrease in Federal Assistance			
Hawaii	0.163	7.8	0.220
Pennsylvania	0.272	7.6	0.670
Nebraska	0.307	7.7	0.880
Iowa	0.325	6.9	0.807
Wyoming	0.339	5.9	0.868
Indiana	0.377	7.4	0.965
Rhode Island	0.386	7.9	0.733
South Carolina	0.388	12.4	0.497
Idaho	0.396	9.9	0.434
Colorado	0.424	7.6	0.490
Wisconsin	0.447	6.4	0.943
Minnesota	0.479	7.0	0.799
Michigan	0.481	8.5	0.857

Sources: U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population, Income and Poverty Status in 1979, 1980, Table P-4, pp. 36-41, and sources cited in Table V.

is hard to imagine that the common characteristic is simply a marked reduction in the need for public services. The role of federal grants in stimulating the state-local sector is possibly reflected in this simultaneous decline in both revenue sources.

Summary Observations

We have tried to provide a panorama of trends in the financing of state and local services in the 1970's. One may read these pages and say the data represent a mass of confusing and contradictory events, but we believe that a reasonably clear picture emerges. Until the middle of the 1970's, state and local services were expanding in real terms, at which point a disenchantment set in. It is perhaps instructive that direct state-local expenditures tailed off more sharply in the second half of the decade than revenues from own source: something other than revenue availability was acting to curb expenditures. There are all kinds of explanations in social psychology to account for the disenchantment, ranging from Vietnam-Watergrate aftermath to changes in family structure, and it is not our task to pick a favorite set. What we can say is that in those states in which state-local revenues outstripped growth in personal income, tax limitations, essentially a phenomenon of the later seventies, were likely to be installed. The 1970's were not a time for people to tolerate the encroachment of the private sector on personal income. Similarly, states subject

to high rates of in-migration appear prone to tax limitation. The 1970's were not a time when people were eager to pay for the education of strangers' children nor to meet other public costs imposed by new arrivals.

Some obvious explanations for differences among the states in expenditure change are not particularly reliable. The largest category of state-local spending is public school education. There is a general falling off of enrollment in the United States, but the differences among the states are wide. Some states, even, are still growing. One might think to see a strong clear relationship between enrollment change and change in school expenditures, one state compared with another. We failed to find that clear pattern, though we did find a pattern of tailing off of school expenditures in a large majority of states, which majority included some states that are still growing in enrollment. This reinforces our view that what has happened is a general disenchantment with government.

In a period of disenchantment, children's services are, one would imagine, especially vulnerable. Many types of publicly provided services are available as well in the private sector, so wealthy families need not bother themselves too much about whether the standards that the public sector maintains are adequate. Furthermore, children's services, including schooling, are delivered in the public sector predominantly by local government. This allows families of substantial education and means to "shop around" and pick a community to live

in that gives them what they want. Again, those persons who are well qualified to judge quality of children's services need not care too much about how good the services are in those other towns they would not choose to live in. In this kind of fragmented system, those who have power to demand adequate levels of service throughout the state exert themselves only through altruism, not personal need. It is different with regard to the state highway patrol. The rich and powerful, along with all the rest of us, do not care to be run down or abandoned on the highways, and the highway patrol tends to get the money it needs to maintain adequate standards of service all over the state.

What appears to be happening in early 1983 is that various states are exploring tax minimums, trying to determine how little money can they get away with raising. Presently, several states are in a condition of fiscal crisis or have just recently passed through such a condition. Tax rates are being raised, though the increases are sold as "temporary." In the first pass at establishing the new minimums, a number of states overshot the mark--just as the Reagan administration did in its initial dealings with corporations. An upward adjustment is needed, but it is still intended that the rates be as low as can be tolerated.

The prospects for financing of children's services remain bleak. For those who believe in the importance of these services, it is time to do the best one can in the lobbying

arena. For the foreseeable future, other than holding the line on the public side, it appears that expansion will now come through voluntary efforts and private support.

Footnotes

1. Various studies have shown that property tax rate limits imposed prior to 1970 were not as powerful as more recent levy limits in restricting the growth of local revenues (these include studies by Ladd and Advisory Council on Intergovernmental Relations). But states that used these earlier rate limits were probably less likely to impose levy limits in the 1970's. David Greytak and Donald Shepard found that older limits led to cultivation of non-property tax revenue sources. And Helen Ladd found that states relying heavily on the property tax in 1971 were more likely to impose limits in the 1970's.

2. "Living Beyond Their Means," Time, Nov. 8, 1982.

3. Of course, the strong advocate of tax limitations as practiced during the 1970's may still feel today that state and local services are wastefully provided or that the needs they are intended to meet are unreal, or that, if real, they are served more fairly by private institutions. In other words, what is happening now in California and New York City is exactly what should be happening. However, in response to state budgetary difficulties and federal cutbacks, tax limitation activity has slowed in the early 1980's. Few new limitations or reductions have been passed since 1981; meanwhile, increases in state income taxes and sales taxes have become more common. (See George Peterson.)

4. George Peterson reports on the proliferation of tax reductions along with actual limitations as revenue curbing tools in the late 1970's. Thirteen states reduced their income tax rates between 1978 and 1980; many also reduced their sales tax or sales tax base. Other mechanisms have included one-time revenue turnbacks or tax rebates, and property tax exemptions such as circuit-breakers.

5. Although New York has no formal limits, in 1977 it reduced its maximum personal income tax rate from 15% to 10% and eliminated a surcharge (see Peterson). Peterson explains that this reduction had a "partial indexation effect"; it was used as an attempt to encourage business investment after the recession.

6. As noted in previous footnotes, New York did try to curb revenues in the second half of the decade.

7. Council of Economic Advisors, Annual Report (Washington, D.C.: Government Printing Office, 1982), p. 236.

8. Some school expenditures, such as building maintenance and administrative costs, are not very sensitive to marginal enrollment changes. Thus a short-term local decrease in enrollment could produce a short-term increase in per capita expenditures, and an enrollment increase a per capita spending decrease. Longer-term, statewide enrollment changes, such as we have shown here, might more reasonably be expected to reflect broader social priorities in their relationship to overall school expenditure levels.

9. U.S. Department of Commerce, Statistical Abstract of the United States, 1981 (Washington, D.C.: Government Printing Office, 1982), p. 429.

10. Time, December 27, 1982, p. 67. Further, School Cost Management (Feb. 22, 1983) reports on a recent NIE study, Serving Special Needs Children: The State Approach, which finds that, under block grants, states are unwilling to replace declining federal support for special needs programs with their own revenues. Instead, they are shifting responsibility for those programs to local school districts. How local districts will respond will probably depend on their own revenue capacity and on the amount of stimulus they receive from states.

Bibliography

Advisory Council on Intergovernmental Relations, State Limitations on Local Taxes and Expenditures, February 1977.

Greytak, David, and Donald Shepard, "Tax Limits and Local Expenditure Levels" in Robert W. Burchell and David Listokin, eds., Cities Under Stress: The Fiscal Crises of Urban America, Rutgers, 1981.

Ladd, Helen, "An Economic Evaluation of State Limitations on Local Taxing and Spending Powers," National Tax Journal, Vol. XXXI, No. 1, 1978.

Peterson, George, "The State and Local Sector" in John L. Palmer and Isabel V. Sawhill, eds., The Reagan Experiment: An Examination of Economic and Social Policies Under the Reagan Administration, Urban Institute, 1982.

Phares, Donald, "The Fiscal Status of the State-Local Sector: A Look to the 1980s", in Norman Walzer and David L. Chicoine, eds., Financing State and Local Governments in the 1980s, Issues and Trends, Oelgeschlager, Gunn, Hain, 1981.

School Cost Management, Volume I, No. 8, February 22, 1983.

Shannon, John, "The Slowdown in the Growth of State-Local Spending: Will It Last?" in Walzer and Chicoine, 1981, op. cit.

Time, Nov. 8, 1982, p. 20 and December 27, 1982, p. 67.

Keeping Up With California: The Impact of Massachusetts' Proposition 2-1/2 on Local Children's Services

Karl E. Kim

Acknowledgements:

The author is grateful for the research assistance provided by Jane Unger of M.I.T. and Ruth Rowley of the Duxbury Taxpayers Association. Helpful comments on an earlier version of this paper were given by Lawrence E. Susskind, Professor, M.I.T. Department of Urban Studies and Planning, and Director of the Impact: 2-1/2 project.

With the passage of Proposition 2-1/2 in November 1980, Massachusetts joined the ranks of the nearly 40 states with recently imposed tax and spending limitations. The new law in Massachusetts limited property tax rates to a maximum of 2.5 percent of fair market value. Municipalities with rates higher than that were required to cut back 15 percent per year until their rates reached the maximum level. Communities below the 2.5 percent limit were permitted to increase their levies, but by no more than 2.5 percent year year.

The proposition 2-1/2 referendum generated substantial controversy. Proponents of the measure launched a successful campaign, heavily financed by industry,championing the issues of tax relief and the elimination of government waste. Opposition to Proposition 2-1/2 came from public employees, urban residents, and a broad-based coalition of human service providers. In spite of doomsday projections of cutbacks and layoffs, 59 percent of the electorate supported the initiative.

During the first year under Proposition 2-1/2, the 351 communities in the state lost an estimated $340 million in property tax revenues. Although these loses were offset by a $230 million increase in state aid to municipalities, local budgets were cut by an estimated $136 million. In general, the large, poor, urban communities suffered the greatest revenue losses and shouldered a disproportionately large share of cutbacks. A recent study of changes in municipal appropria-

tion levels (Kim, 1982) found that the largest cutbacks in services occurred among parks and recreation, streets, libraries, and schools. In contrast, police and garbage collection fared better than other services. While there was a definite pattern towards cutting "non-essential" expenditures and deferring capital maintenance (Susskind: 1982), the large reduction in school expenditures was surprising. Generally, the data suggest that children attending public schools and using parks, recreational programs, and libraries are potential losers in the wake of the Proposition 2-1/2.

While there has been considerable discussion about the impact of Proposition 2-1/2 on the fiscal structure of the state, relatively few studies have addressed changes in service delivery, particularly services delivered to children.[1] Most of the public attention has focused on potential cutbacks in "essential" services, such as public education and public safety. Yet, as the California experiences with Proposition 13 suggests, children's services are especially vulnerable during periods of fiscal retrenchment.[2]

In Massachusetts, there are about 670,000 children in the six to thirteen age group. Approximately 57 percent of these children are in families with both parents working (Morgan, 1982). While the exact number of "latchkey children" (those who care for themselves while their parents are at work) in Massachusetts is not known, the national percentage of such children (7-13) is estimated to be about 14 percent

(U.S. Department of Commerce, 1974). These are children at risk of "emotional neglect, accidents, fire, over-exposure to television, physical harm from adults or other children, improper nutrition, and peer pressure which could lead to juvenile delinquency, teenage pregnancy, and drug or alcohol abuse." (Morgan, 1982). In the absence of daycare and adult supervision, these are the children who stand to benefit most tangibly from after-school programs, organized recreational activities, and locally-provided children's services. The services are not only of value to latchkey children, however, and in most communities a majority of young people use some program or facility.

The state government in Massachusetts provides a significant portion of all public services to children with the primary emphasis on day care, long-term residential care, and child-protection. The Office for Children is the agency most responsible for coordinating services to children, but a large number of programs are handled by the Department of Social Services and the Department of Public Welfare.

The level of local government involvement in children's services varies widely across the state. In some communities, services are limited to municipally-maintained parks and recreational facilities. Other communities offer library and museum programs for children. In some areas the range of available programs is quite large and includes educational activities, organized sports, and meal programs. The diversity among communities results from differences in the level of

budgetary resources, community organization, inter-agency cooperation, and public demand for programs.

In most communities, the school system plays a central role in coordinating after-school hours programs. Often school facilities and personnel are used, although the program may be organized by another municipal agency or a private provider. School officials often work with parents to secure after-school daycare, particularly if the family needs financial assistance. Although most teacher contracts in the state stipulate a six hour work day, many teachers supervise after-school activities on a volunteer basis (regarding such time contributions, once or twice each week, as part of their job). Yet with cutbacks, and the associated declines in employee morale, many teachers are less enthusiastic about volunteering their services after-school.

Due to the sprawling organizational character of children's services and varying levels of municipal commitment, the study of the impact of Proposition 2-1/2 on children's services tends to be a study of contrasts. This paper, a description of children's services in four communities, will illustrate these contrasts.

A case study approach was undertaken here for a number of reasons.[3] Since there is no centralized source of data regarding locally provided children's services, interviews with key local officials and service providers were necessary. Also, while children's services, like most others, were affected by

Proposition 2-1/2, the new law's impact has not been uniform. The case studies focus attention on local political processes and decision-making. Study communities were chosen to represent differences in size, political organization, fiscal circumstances, and pre-Proposition 2-1/2 programs for young people.

Several factors contributed to the fiscal differences among Massachusetts communities. While all communities depended heavily on property tax revenues, there were tremendous disparities in property tax bases and property tax rates. While 182 of the 351 communities were required to cut their property tax levies, under the new law, 169 were permitted to increase their levies by two and one-half percent. Because of the motor vehicle excise tax reduction, every city and town suffered some revenue loss. While the state government enacted additional aid to be distributed to cities and towns, this "bail-out" money was not distributed evenly according to the Proposition 2-1/2 losses. Some communities received more aid than revenue loss, while others received less than half the amount lost due to Proposition 2-1/2.

The case studies are confined to aspects of children's services provided at the local level. This is because Proposition 2-1/2 cut only local taxes and expenditures, not those of the state government. In Massachusetts, cities and towns play the dominant role in terms of local government service provision. County and regional governments provide limited services, such as judicial and transportation services. These units of

local government are financed by charges and assessments to the municipalities under their jurisdiction. Proposition 2-1/2 had a greater impact, therefore, on cities and towns more than any other level of government. Due to Proposition 1-1/2 most municipalities were forced to prioritize service needs and reallocate tax dollars. For these reasons, this study examined those local agencies which funded and administered children's services--schools, parks and recreation departments, libraries, and other departments that had children's programs.

Two of the communities studied (Cambridge and Springfield) have city governments and two (Arlington and Duxbury) are organized as towns. Cambridge, Springfield and Arlington are large, densely populated urban communities. Duxbury is a small, wealthy, residential community at the base of Cape Cod. While the other three communities suffered significant losses in property tax revenue after Proposition 2-1/2, Duxbury was one of the communities that increased property tax collections in FY82. The selection of case study sites was based on several assumptions. First, that the extent of the revenue losses from Proposition 2-1/2 would have a corresponding impact on the provision of children's services. Second, that differences among the communities would emerge due to the level of pre-Proposition 2-1/2 commitment to locally provided children's services. Third, that depending on the resourcefulness of municipal agencies, children's services in some communities would be spared serious cutbacks. The analysis of locally

provided children's services in these four communities showed that both the fiscal impact of Proposition 2-1/2 on children's services and the local response to that impact varied greatly.

Arlington: Sharing the Burden of Cutbacks

Arlington is one of the largest towns in the state (population 48,219). Roughly two percent of the residents are minorities. The town's 7,760 children comprise about 16 percent of the total population. Socioeconomically the community is largely middle to lower middle class. Almost entirely dependent on residential property taxes, Arlington faced severe revenue losses due to Proposition 2-1/2. Indeed, Arlington was required to cut property tax levies by the full, mandated, 15 percent. As a result, Arlington lost $4.75 million in property taxes.

Although voters in Arlington enthusiastically supported Proposition 2-1/2, the community had built up a reputation as a "model town government." Prior to the passage of Proposition 2-1/2, the Board of Selectmen, with strong citizen participation, conducted several large studies to determine budgetary priorities and assess social service needs.[4] In addition, the town manager led other town managers in the state in encouraging the state legislature to help ease the fiscal burden created by Proposition 2-1/2. While Arlington was one of the hardest hit communities, it was also better prepared to cope with the new law.

In spite of the 15 percent reduction in property tax revenues, the town reduced total expenditures by only 6 percent. The heaviest cuts occurred in libraries (-20 percent), public works (-18 percent), parks and recreation (-17.1 percent). There were also substantial reductions in police (-5 percent), schools (-4.7 percent), and human resources (-4.9 percent). Appropriations for the fire department, however, increased by about 3 percent.

The extent to which cutbacks were shared across all departments was striking. Although the percentage cutback in police and school budgets were lower than other less "essential" services, these two spending categories comprised a large proportion of the total budget. Moreover, the fact that human resource budgets were cut less in percentage terms than police budgets suggests that the town attempted to share the burden of Proposition 2-1/2.

Compared to many communities chartered as towns, Arlington provided a high level of public services, particularly human services. In addition to a separate human resources department (unusual among Massachusetts towns), the town leadership expressed strong concerns about the special needs of elderly, youth, and non-English speaking residents. In the wake of Proposition 2-1/2, the Board of Selectmen held public hearings to develop a budgeting strategy. Among other things it was recommended that the Arlington Youth Consultation Center, a multi-service counseling and referral agency, be eliminated.

Through strong public lobbying and an agreement that it would become more financially independent, funding for the center was restored. This demonstrated both the town's sensitivity toward youth problems and the ability of human service providers to compete effectively for scarce public dollars.

Similarly, in the case of the Arlington library, political mobilization influenced the budgetary outcome. Plans called for closing one branch to maintain full resources and staff at the central library. Residents who used that branch were able to convince the town to reduce core reference services at the main library and keep the branch open.

Similar trade-offs occurred within individual departments. The town maintained school crossing guards, strongly supported by the public, by allowing vacant positions in the police department (three patrolmen, one sergeant) to remain unfilled. The town curtailed layoffs by reducing equipment purchases and deferring capital expenditures. Although the Planning and Community Development Department lost 25 percent of its local funds, layoffs were prevented by paying staff with federal money.

Children's service providers in Arlington suggested that Proposition 2-1/2 intensified long-standing concerns rather than altering the ways in which services have traditionally operated. Further, two main children's services--libraries and parks and recreation--suffered significant negative impacts following Proposition 2-1/2.

Libraries, which suffered the largest reductions in town

assistance, shortened hours of operation and eliminated staff positions. The two branch libraries closed earlier on weekdays and altogether on weekends. Similarly, the main branch eliminated Sunday operating hours. Two of the four children's librarians were laid off, which resulted in a discontinuation of the children's program in the branch libraries. In the second year of Proposition 2-1/2, one of the children's librarians was rehired, enabling the town to provide a children's program for two and a half days at each branch.

Prior to Proposition 2-1/2, about 700 children participated in the summer reading club--a program provided at all three libraries. When the branches eliminated this program, participation in the main library's club increased from 300 to 400, which suggested that approximately 300 children dropped out of the program due to the service reduction.

Children's book purchases were also reduced as a result of Proposition 2-1/2. At the main library, book purchases were cut from $10,000 per year to about $8,800. At the branches, the purchases were cut in half, from $3,000 to $1,500. In the second year under Proposition 2-1/2, children's book purchases at the main library were reduced further to $8,000 while remaining at $1,500 at each of the branches. This is a sizeable reduction given inflation and high cost of children's books.

The Arlington Library plans to rehire one young readers' librarian--which the town has not had for three years. The addition of this staff member, along with plans to increase

cooperation between the library and the parks and recreation department should help to fill some of the loss in services experienced in recent years. The cooperative programs include a craft workshop and a story hour conducted by library staff. The summer day camp programs will charge a fee to children who participate. While this is not a major new source of revenue, it demonstrates how the town has attempted to share the burden of cutbacks across departments.

The library endowment blunted the impacts of Proposition 2-1/2 to some extent. In spite of the endowment's substantial contribution to the operating budget, there were still cuts in local dollars that weakened the library's ability to leverage state and federal matching funds. Neither are other sources of revenue being tapped. For instance, there are no plans to increase fines or charge fees for service.

Some of the fiscal pressure on the library system existed prior to Proposition 2-1/2, and some steps are being taken to replace services lost over the past few years. Nonetheless it is apparent that children's library services, particularly at the branches, have suffered as a consequence of the Proposition.

With recreation services, the imposition of new fees played an important role in maintaining services at pre-Proposition 2-1/2 levels. The parks and recreation department suffered an 18 percent reduction in funding during the first year of Proposition 2-1/2. With increases in fees, the department was able to avoid virtually any reduction in programs. However, four

of the sixteen supervised parks were closed. Four more parks will be closed in FY83. This is one of the most serious consequences of Proposition 2-1/2 in Arlington. The recreation department has tried to keep a park within a quarter mile of each neighborhood. In this way, the burden of cuts was shared throughout different parts of the town.

Four full-time and approximately 150 part-time staff operated the parks and recreation program. During FY82, approximately 8,000 children participated in the year round recreation programs and 250 children per week used the skating facilities. Following Proposition 2-1/2, some of the recreational activities were reduced from ten week to eight week sessions. In addition some part-time staff were eliminated. Moreover, there was increased use of volunteers for supervision of recreational activities.

The recreational program in Arlington was quite diverse, including gymnastics, organized team sports, drama, swimming lessons, and field trips. It also included a summer day camp program. Most of the fees for these programs were increased. The fees varied widely by the cost of activity, and, according to the Director of Parks and Recreation, were increased only to meet the costs not met by town appropriations. The town plans to continue the use of fees.

The fee increase, which amounted to about 20 percent for some services and higher for the more costly services, has imposed hardships on lower income residents. It is too early

to determine the extent to which heavier reliance on fees has changed the service population. Service providers speculated the the fee structure will lead not only to a more wealthy client group, but also, to an increase in the age of participants.

Generally, children's services in Arlington suffered following enactment of Proposition 2-1/2. Yet for a community of only modest socio-economic status and a high percentage of elderly residents, children's services fared reasonably well. The cutbacks in libraries and parks and recreation represented genuine losses. However, from the perspective of providers, cutbacks could certainly have been more severe. Local officials and agency personnel expressed great pride in twon services, maintained in the face of harsh fiscal conditions. Although it is a large community, Arlington demonstrated a spirit of cooperation and sharing of the burdens imposed by Proposition 2-1/2.

Cambridge: Overriding the Impacts

Adjacent to Arlington is the city of Cambridge. It has a population of 96,000 and is one of the largest municipalities in the state. Best known as the city where Harvard University and M.I.T. are located, Cambridge is also the fifth most densely populated city in the United States. Twenty percent of its residents are non-white and an extremely high percentage (77 percent) are renters rather than home owners. Close to 30 percent of the population is in the low income bracket. A politically liberal community, Cambridge is one of the few

Massachusetts cities to adopt rent control and to impose a ban on condominium conversion.

Cambridge was also one of the few communities in Massachusetts to vote against Proposition 2-1/2 (by a 2-1 margin). In addition, Cambridge voters passed a local referendum overriding (for one year) the cutback provisions of Proposition 2-1/2.[5] The override allowed the city to cut just half of the $10.2 million in expenditure it would otherwise have been forced to cut.

A relevant development in Cambridge's recent history was the reorganization of the human services department. Five departments (recreation, elderly services, youth resources, civic unity committee, and the community schools program) were consolidated into one department. The new system was designed to create more accountability, tighter organization, and greater efficiency. Cambridge, in spite of fiscal pressure, has come to regard human services as a vital component of local government.

In the first year of Proposition 2-1/2, Cambridge avoided major cuts or lay-offs in all departments except schools and public works. The strategies used to cope with Proposition 2-1/2 included: increased fees (by $5 million), effective lobbying to increase state aid (by $1.2 million), improved efficiency, deferral of capital expenditures, reduced maintenance, and elimination of vacant positions. These measures enabled the city to increase total budget expenditures from

$128 million to $130 million, although property tax revenues were cut from $80 million to $68 million (the full 15 percent mandated by Proposition 2-1/2). During the first year of Proposition 2-1/2, municipal spending on police and fire protection increased by a small amount, while spending on virtually all other services decreased. In Cambridge, the percentage change in departmental appropriations was a misleading index of Proposition 2-1/2's impact. Because of contractual stipulations regarding wage increases, most departments could not maintain pre-Proposition 2-1/2 levels of employment without layoffs. The most drastic reductions in force occurred in the school system where 183 positions were eliminated, including 19 administrators and 139 teachers. The public works department lost 77 of its 380 employees. In addition, 25 detectives were demoted to uniformed police positions, school crossing guards were reduced from 56 to 40, the fire department lost 20 of its 300 employees, the human services department reduced employment by 18 positions, and the city eliminated seven librarian positions. These reductions in force were considerably less than early predictions (made by city manager and department heads) of 100 firemen, 100 policemen, 175 public works employees, and 250 teachers.

The passage of the override spared Cambridge from further cutbacks. An alliance of teachers, parents, public employees, and civic leaders was behind the successful campaign, known as the "Coalition for Cambridge." Although children's services

were not the focus of this campaign, the outlook for children's services became brighter once the override was passed.

The initial impact of Proposition 2-1/2 on children's services was quite severe. In the school system, remedial reading, home economics, industrial arts, special science instruction, art, foreign language and library services were cut. Gym teachers for kindergarten through third grade were eliminated, forcing classroom teachers to conduct the state-mandated gym classes. In secondary schools, many electives were eliminated, along with guidance counselors, learning disability staff and teaching assistants. These service reductions generated substantial concern among parents and forced additional responsibilities on an already demoralized work force.

The schools' music department was one of the only departments to avoid serious reductions. Since 1968, the school system has had a large and successful music education program. In addition to providing music and instrument classes during school hours, there are many other school programs for elementary and secondary school children, including orchestra, choruses, wind ensembles, strong classes, and jazz programs. Initially, the Superintendent cut 19 music teachers, but because of parent opposition, the number of music teachers laid off was reduced to only five. With the override, the five positions were restored. Approximately 800 children participated in these extra-curricular music programs. The program continued without major disruption through the first year of Proposition 2-1/2.

Staff from the music department conveyed the impression that services were maintained because the community recognized the value of musical instruction. As one music teacher suggested, "children might have fewer learning disabilities if at an early age they are exposed to music lessons." Passage of the override helped insure continuation of the school music program and replacement of school-owned music instruments.

In contrast, Proposition 2-1/2 did have adverse effects on the public library system in Cambridge. In addition to losing children's librarians, part-time help was eliminated. As a result, librarians had to devote more time to shelving books and other routine tasks, which created a slow-down in services such as referencing. In addition to lowering the book budgets, purchases of supplies and instructional materials were also cut. This was particularly detrimental to the arts and crafts programs. Nevertheless, children's services continued to be provided by internalizing many of the programs. For example, in the pre-Proposition 2-1/2 days, outside storytellers and puppeteers were brought into the library at nominal cost. In the absence of funds to cover these expenses, librarians took on these activities--although some of the guest performers continued to provide service on a volunteer basis. The libraries also continued to provide a wide range of after-school activities, including toddler groups, workshops for young babysitters, and reading programs for elementary school children. Saturday programs continued to be popular, drawing audiences of up to 100 children.

Resources from the override were used to maintain branch and bookmobile operations, albeit with the cuts detailed above, and somewhat improved the short-term outlook for the library. But the uncertain future is symbolized by a partially installed computer system, planned before Proposition 2-1/2. There are no funds available to complete or operate the new system.

In the Human Service Department, the two divisions that provided extensive service to children--reaction and community schools--have come to rely increasingly on user fees. The city has worked to make these programs financially self-sufficient.

The recreation department provided service to children, youth and adults. In addition to operating pools (summer and year round), a golf course, tennis courts, playing fields and basketball courts, the recreation program also provided athletic instruction, supervision of playgrounds, sports leagues, free playground meals, summer day camp, and indoor activities. Although park leaders were reduced from 50 to 25, the overall changes in personnel following Proposition 2-1/2 were not substantial, largely because of increases in fees. In spite of these cost increases, participation increased and many of the recreational activities became self-supporting. In addition, private sector fund-raising helped to defray some of the costs of uniforms and field maintenance. Moreover, the recreation program worked closely with five or six private providers (e.g., Y.M.C.A.) to maintain services, such as the distribution of

free lunches to needy children during the summer. While there was greater emphasis on fees, some of the additional costs to children were offset by funds raised by neighorhood recreational councils.

Community schools, a program which began in Cambridge about ten years ago, uses school facilities during non-school hours to provide recreational and educational services to the community at large. Following Proposition 2-1/2 this program was de-funded, reducing the annual allocations from $5,000 to $3,500 at each of 14 neighborhood schools. The city appropriations covered only a fraction of total program expenses. The remainder was made up by program fees. The program generated roughly $1 million in fees. With municipal appropriations, program expenditures totaled to approximately $1,049,000. Prior to the reorganization of the human services department, programming at each community school was determined by a community schools board in each neighborhood. Following reorganization, the City-wide Coordinating Committee was established to replace the neighborhood boards. The committee attempted to focus more on city-wide human service issues to allow for greater integration of the neighborhoods.

Programming in the Community Schools was quite diverse and included senior citizens activities, after-school day care and English language instruction. Individual Community Schools emphasized programs for special need groups, such as the elderly. Approximately 150 children participated in after-school

care programs, paying fees ranging from $12 to $25 per week. According to city officials, interest in the community schools program has not waned in spite of the cutbacks associated with Proposition 2-1/2. They stressed that the only service to be eliminated was a behavioral modification mini-bike riding program, where troubled adolescents were allowed to ride mini-bikes (under adult supervision) once they had worked out a contract or agreement with parents (e.g., to attend school regularly, stop drug usage, or cease anti-social behavior). Although the override enabled restoration of one youth specialist position, and summer staff funding for the teen center, it did not bring back the mini-bike program. Further, with the override, there were plans to restore, in piecemeal fashion, some of the after-school programs (e.g., basketball, volleyball, track, etc.) for elementary and junior school children. These programs were to be provided free of charge.

Conditions in Cambridge would have been considerably worse if residents had not passed an override measure. The school system was, perhaps, one of the hardest hit in the state. Proposition 2-1/2's toll on the morale of public employees, including teachers, librarians, and social service providers was quite evident. The override restored not only the city's capacity to meet the needs of residents, but also restored a modicum of optimism during a time of uncertainty.

Duxbury: Business As Usual

The Town of Duxbury, a small residential community (population 11,807) located at the base of Cape Cod, was one of the municipalities that appeared to defy the mandate of Proposition 2-1/2 and actually increased its property tax levy by 2 percent in FY82, from $9.7 million to $9.9 million. Due to an increase in state aid and revenues from fees and user charges, budgets in all departments increased during the two years following passage of Proposition 2-1/2. The school department was the only department to suffer a reduction in force, from 296 employees to 257. Much of the reduction was achieved by allowing the vacancies created by retirement to remain unfilled.

In the year prior to the limit, property taxes increased by 14 percent. While Proposition 2-1/2 has helped to slow the growth of property taxes, it has created special problems for Duxbury, where close to 60 percent of all revenue came from the property tax. The town has few options for raising new revenue. Other communities can consider ways to tax hotel rooms, parking lots, office development, college students, commuters, tourists and businesses. Since close to 90 percent of the property in Duxbury was residential, when the town needed more money, it had to go back to the homeowners, the same homeowners that helped to vote Proposition 2-1/2 into law.

While Duxbury survived the first few years of Proposition 2-1/2, the new law's impact may become more severe in the future. Under Proposition 2-1/2, once communities are certified

at 100 percent full market valuation, tax levies can only grow by two and one-half percent per year. This limit applies regardless of inflation or new construction. Because Duxbury avoided any serious impacts in the first years of the initiative, the town did not need to implement new policies or confront tough fiscal choices, and the business of government continued as usual.

In spite of outward appearances, there were some signals that the town was facing an uncertain fiscal future. While the town made emergency repairs of equipment and property, all major capital expenditures were postponed. The town did not fill vacant staff positions, which had a particularly strong effect on the school department. The Superintendent expressed concern over Proposition 2-1/2 because unlike many Massachusetts communities, pupil enrollments in Duxbury had increased by over 25 percent in the last five years.

Communities such as Duxbury primarily used tax dollars on public education. Sixty-six percent of the property tax was used for schools and 70 percent of school expenditures were financed by property taxes. The property tax also funded a police department, fire department, public works department, library department, parks and recreation, and government administration. Few human services were provided and the town did not have a human services department.

In a wealthy, suburban, and largely residential community such as Duxbury, human service problems were not a major issue.

Instead, the dominant concern of homeowners was tax relief and the quality of general purpose services, such as schools and public safety. In the town, only two departments provided services to children during non-school hours. Both the library and parks and recreation have relied heavily on community support and had, over the years, reduced their dependence on municipal dollars.

The Duxbury Free Library employed one full-time librarian and three part-time staff. There were a variety of programs for children. During the school year, the librarian conducted a story program for approximately 120 pre-schoolers. During the summer, 250 children in grades 1-8 participated in the summer reading club. In addition, the library provided a children's film series and puppet shows. The book budget was level funded for the past five years and increased by $7,000 for FY83. The library was committed to providing children's services and allotted 24 percent of the annual book budget to children's books. Proposition 2-1/2 led to two changes in the library system. First, the number of high school student pages (who shelved books and performed routine tasks) was reduced. This change hampered the ability of regular staff to perform specialized library services. Second, a larger share of annual expenses was covered by the library trust fund instead of municipal appropriations. This led to an increased need for private fund-raising. In the first year of Proposition 2-1/2, there was little indication that library services to children suf-

fered, and despite some minor cutbacks, program participation remained unchanged.

The recreation department provided a swimming pool as well as after-school, evening and weekend recreational activities. An estimated 50 to 75 percent of all Duxbury residents utilized facilities or participated in programs. Recreation in Duxbury was heavily oriented toward sports. Users of facilities paid fees to cover most of the operating costs. For several years prior to Proposition 2-1/2, fees constituted a larger and increasing share of total recreational expenditures than tax dollars. For this reason, recreation programs did not experience budgetary or personnel cuts. Due to Proposition 2-1/2, however, expenditures on maintenance, materials, and equipment were curtailed. Fees were increased although no new programs were added, nor were improvements made in existing programs.

An estimated 75 percent of the 3,100 children in Duxbury participate in the town-provided recreational activities. Although fees increased for these programs, there was no noticeable decline in participation.

In general, the public played a large role in determining the level of recreational services available to residents. The community was most concerned about the capacity of programs to be self-supporting. Although the municipal pool was a gift to the town, the Town Meeting was twice asked to vote on accepting the gift. On both occasions, the consensus of the

Town Meeting was to accept the pool only if it was self-supporting.

Although the town operated and maintained fields and tennis courts, there were some examples of community action in the absence of government support. When the town refused to appropriate $10,000 for an ice hockey program, residents formed the Duxbury Youth Hockey, Inc. and raised the funds in a matter of weeks. When increases in youth soccer programs were refused by the town, in spite of growing enthusiasm for the sport, residents formed another association to finance expansion of the program. During these developments, there remained a high degree of cooperation between the town recreation department and various private organizations. Other examples of cooperation include the town's beach and parking lot which were privately owned and managed by a non-profit organization, but leased by the town for $12,000 per year. Similarly, the community tennis organization used municipal courts to meet increased demands for tennis lessons in spite of cutbacks in municipal service provision.

Duxbury, unlike many communities in the state, withstood the impacts of Proposition 2-1/2 without serious harm. The long-run consequences of the law, however, have yet to come to bear on town operations. Duxbury was a community where much of the gap in public sector resources were made up by private sector in the form of contributions and alternate service arrangements. In such communities, the potential harm to

children's services because of Proposition 2-1/2 was considerably less than in areas with fewer private sector resources.

Springfield: Cutbacks in Children's Services

Springfield is the second largest city in the state (population 152,319). Located in western Massachusetts, the city has a substantial minority population--blacks and Hispanics constituted 33 percent of the population in 1980. Until the mid-1970's, Springfield was a decaying urban area, suffering from suburbanization, industrial decline, and tax base erosion. Since 1976, a large scale effort to revitalize the city has spurred the development of retail and office space, as well as market-rate housing. Until Proposition 2-1/2 the city was in a strong fiscal position, with a AA bond rating.

Proposition 2-1/2 passed in Springfield by a narrow margin of 1,500 votes. The new law had a severe impact on the city. To comply with Proposition 2-1/2, the city had to cut the full 15 percent from the property tax levy, amounting to a $9.57 million revenue reduction. With state aid, Springfield's total budget increased by 1.3 percent. The increase went to salary increases, street lighting, and to increased funding for police, the fire department and the municipal hospital.

Those departments which suffered the heaviest cutbacks were parks and recreation (-13.2 percent), libraries and museums (-6.7 percent), and schools (-5 percent). Budgets were increased in the police department (2 percent), fire department

(1 percent), municipal hospital (5 percent) and the public works department (6 percent). The human services department suffered a 25 percent reduction, although much of this reduction was due to federal cutbacks.

Proposition 2-1/2's toll on city services was high. Four schools were closed and 149 teachers were laid-off. The city eliminated free ambulance service and transferred the 24 employees to fire department duty. The city deferred many planned capital improvements and made few new equipment purchases. Where possible, the city increased fees and user charges.

In Springfield, public safety had a commanding edge over other "less essential" services. The impact on children's services was the most severe of the four communities examined in this study. In addition to closing four schools, the city consolidated the alternative junior and senior high schools, reduced the program for pregnant teenagers, cut 60 percent of all athletic programs, and a third of all teaching specialists. In addition to elimination of new book purchases, the city raised the cost of school lunches by 25 percent and increased all fees for adult education.

While the library avoided branch closings, hours of operation were reduced. In addition to reduced book budgets and lowered funding for special programs such as those conducted in neighborhoods with high ethnic concentrations, Proposition 2-1/2 restricted the hiring of children's librarians. As in

Cambridge, many of the library programs were changed to accommodate in-house production of previously contracted services. The library relied more on its trust fund and instituted new fees for special programs which had been provided free of charge prior to Proposition 2-1/2. These were significant changes because in Springfield, children used the libraries more than any other population group. Librarians suspected that this change in the policy of free service would deter low income children from participating in library-sponsored activities. The increase in fees was not substantial, however, and library usage among children increased after passage of the new law. Librarians speculated that this increase was a consequence of the severe cutbacks in city recreation programs.

Springfield cut deeply into its public recreation programs during the first year of Proposition 2-1/2. Parks and recreation suffered the largest reduction of any department in the city. Recreation programs were cut by 32 percent, while maintenance of parks increased slightly. Although the Superintendent of Parks and Recreation called Proposition 2-1/2 "an opportunity to carry through reorganization and increase managerial accountability," real reductions in service occurred in the first year of the law. Six of the 19 municipal pools were closed. Fourteen lifeguards were laid off. The summer swimming program was shortened by two weeks and the winter swimming program was eliminated. Three bath attendants were laid off. Eleven of 31 playgrounds were closed and 25 recreation leader

positions were eliminated. Six of 21 recreation centers were closed. The 37 week winter recreation program carried out in three centers was reduced to 15 weeks; the 19-week winter programs were reduced to ten weeks. The 31 week special needs program also provided during the winter was reduced to a 24 week schedule, and the city eliminated 17 of the winter recreation leaders. Moreover, the reorganization of the recreation programs led to centralization of activities in the main park area. There were few, if any increases in fees, even in facilities such as the ice rink and golf course. There was, however, some shift in programming towards activities such as aerobic dance in which participants were able and willing to pay fees. The cutbacks in service, closing of facilities, and the shift towards revenue raising adult-oriented programs suggested that children were among those most hurt by the changes in recreational policy in the aftermath of Proposition 2-1/2.

The effect of changes in children's services in Springfield was perhaps more pronounced than in other communities because of the large numbers of "latch-key" children. In Springfield, female-headed households outnumbered male-headed households by almost two to one. When this statistic is combined with increased female labor market participation in two parent families, the extent of the latch-key problem in Springfield is evident. Moreover, the problems were worse in low income areas, where many parents were unable to afford daycare, and in ethnic areas where parents were unfamiliar with state-

assisted programs. A recent series in the Springfield newspaper documented growing concern over latch-key children, but there was little done to restore the cuts in municipal services. There was one latch-key program offered by a private provider (Y.M.C.A.), which provided care for children referred by the Department of Social Services (State of Massachusetts) and the Springfield Schools. There were about 20 children on the waiting list to this program which provided service to 25 of Springfield's 25,733 children.

Children suffered major service losses following passage of Proposition 2-1/2. Although the city closed parks in upper-income neighborhoods, the most serious losses in service affected low income, minority children. (And a higher percentage of children (37 percent) than adults were minorities.) These children were the population group most dependent on city-provided recreational programs and supervised after-school activities. The maintenance of playing fields suggested that the city placed a higher priority on the provision of service to sports leagues than on children's services. The failure to increase fees at the municipal golf course also suggested a general unwillingness on the part of the city to encourage subsidization of children's services at the expense of more affluent residents.

Summing Up: Children's Services Following Passage of Proposition 2-1/2

In the four communities studied, the level of locally provided children's services varied quite widely. In Arlington, Cambridge and Springfield, local government provided a range of recreational and educational activities for children during non-school hours. In Duxbury, the smallest community examined, the town provided only minimal public service. In all communities, the libraries and parks and recreation department played an important role in service provision. Cambridge was the only community to offer extensive after-school programs that involved the use of school facilities. Presumably, the programs in Cambridge mitigated some of the problems associated with latch-key children.

The needs of children also varied across the four communities. In Cambridge and Springfield, there were large numbers of low income, minority children. In Arlington, children's service providers suggested that the latch-key phenomenon was a growing problem in at least two lower middle income neighborhoods where there has been growth in the number of two-working-parent families. In Duxbury, families apparently were able to afford daycare more easily than families in the other three communities. In Cambridge and Springfield there were large non-English speaking populations, with special needs for the children in these communities.

Although children's services were affected by Proposition

2-1/2 in all four communities, these services were not a central issue in local debates preceding the Proposition 2-1/2 referendum. Indeed, the topic of children's services drew much less attention than the highly publicized potential for layoffs and service reduction in police, fire, and school departments. Most of the pre-Proposition 2-1/2 debate focused heavily on the "essential" services, and not the many smaller programs for children. In terms of how the state "bail-out" money was used, concern at both the state and local level focused almost entirely on the restoration of "essential" services. In order to offset the estimated $340 million dollar reduction in local property taxes, the state secured an additional $230 million in "bail-out" money by cutting state programs. Presumably, this adversely affected state-funded children's service programs (e.g. daycare). Estimates of the loss in children's services were not available from the state. Here too, there appeared to be a general deficit in the area of planning for children's services.

Once the law had passed, communities sought different strategies for meeting the mandate of Proposition 2-1/2. Most of the concern at the local level focused on acquiring new revenues--through increased property assessments, greater state aid, higher fees and charges, deferral of capital expenditures, and sales of municipal assets. The strategies for coping with Proposition 2-1/2 differed across the state. Communities like Arlington sought to spread the burden of cutbacks

across all departments. Communities like Springfield saved "essential" services such as police and fire protection and the municipal hospital, at the expense of parks and recreation, libraries, and schools. Cambridge was one of the few communities that overrode the impacts of proposition 2-1/2 with a local referendum. Communities such as Duxbury fared well under the first year of the newly enacted law.

In general, children's service providers plays a lesser role in the outcome of local budgetary processes than other groups. An exception to this was found in Arlington, where children's service providers demonstrated the ability to compete effectively for scarce public dollars. In Cambridge, the restoration of children's services was described as "a consequence of the actions of a broadly-based coalition that worked for the override . . . the benefits of the override filtered down to children's services as well as other services." In Springfield, local authorities commented on the "surprising lack of public resistance to cuts in schools and other children's services."

The impact of Proposition 2-1/2 on children's services varied widely because of several factors. First, Proposition 2-1/2 had a disparate impact on the revenue raising capacities of cities and towns in the state. Second, the level of pre-Proposition 2-1/2 children's services provided at the local level differed by community. Third, children's service providers had relatively more or less access to political power.

Finally, communities coped differently with Proposition 2-1/2, which led to different outcomes for children's services.

Making the Most of Less: Some Lessons for Children's Service Providers

The four case studies presented provide some hard lessons for children's service providers. Fiscal conditions at the local level of government are not likely to improve in the near future. While the wave of tax and spending limitations which started in California with Proposition 13 may have passed, austerity, retrenchment, and cutback management are likely watchwords of local administrations in the 1980's. Operating in such an environment will undoubtedly be hazardous to many children's service providers, yet the need to provide the services will persist. Unfortunately, advocates of children's programs at the local level are a threatened species, particularly as police, firefighters and other municipal workers join in the chorus for more public dollars.

In Massachusetts following Proposition 2-1/2, there has been surprisingly little reorganization of government services. The state government has not assumed control of the children's services lost to Proposition 2-1/2. There has been little, if any, new regionalization of children's services. Cooperation between the public and private sector has flourished only in isolated instances. Rather than reorganize at the local level, providers continue to maintain their turf in

spite of shrinking budgets and declining personnel. Unfortunately, most children's service providers can claim their share of local tax dollars, once the "lion's share" has been cut away.

The capacity to effectively provide children's services is reduced not only by cutbacks, but by the accompanying decline in morale among public employees. In the first year of Proposition 2-1/2, the state experienced an increase in sick leaves, absenteeism, resignations, and grievances (Black, 1981). Labor relations have become increasingly complex and involve the interaction of contracted pay increases, affirmative action, seniority rules, and layoff and attrition procedures. All of this can lead to questionable service outcomes and greater job dissatisfaction. Children's service providers are being asked to go "above and beyond the call of duty" during these hard economic times, and their capacity to respond influences not only the quality of services provided, but also public support of those services.

Public support of children's services was an important factor in Arlington and Cambridge, where vocal residents helped to restructure the debate regarding trade-offs between "essential" and "non-essential" services into one concerning the quality of public services. Quality of community life may prove to be a more compelling argument than one emphasizing the trade-offs between policemen and librarians--public employees who provide two very different kinds of municipal ser-

vice. While communities such as Duxbury and Arlington may find it easier to establish agreement on the public's preferences for a mix of government services, communities such as Cambridge prove that with skilled organization it is possible to combine heterogeneous groups--teachers, parents, and others--to find a common solution to dilemmas presented by Proposition 2-1/2. In Springfield, unfortunately, the public had mobilized around a single issue--public safety--which resulted in only a partial solution to their problems. The avoidance of single-issue politics may help to insure that all provider groups can be involved in reshaping local government policies.

The close interaction between the public and private sector in Duxbury, which has developed over many years, represents a trend likely to increase in the future. When government taxes and spending are decreased, most taxpayers should enjoy at least some increase in personal income with which to purchase services from the private sector. Perhaps there will be increased privatization of children's services because private providers can offer the services more efficiently. In this period of transition, public providers need to seek out private sector organizations to insure that the concerns of affordability and equity continue even with an increased private sector role. The formation of non-profit organizations provides a starting point for public sector providers who face both a demand for service and withdrawal of public resources.

In order to circumvent the likely neglect of children's

services during these difficult times, public providers need to take a more aggressive stance in developing alternatives, justifying municipal involvement, and organizing municipal resources. To some extent, this involves a re-education of those involved with children's services. Organizing, financial analysis, and planning are skills which need to be developed. The constraints facing providers and their clients are not likely to lessen. In the face of cutbacks and service reductions, cities and towns need to make special efforts to protect current long-range investments, including the futures of children.

Notes

1. A major study is underway, under the direction of Langley C. Keyes, MIT Department of Urban Studies and Planning, examining the impact of Proposition 2-1/2 and federal budget cuts on human services in Massachusetts.

2. See research by the Children's Time Study, including "Living With Less: Proposition 13 and Children's Services" (Rubin, 1981) and publications cited in Chapter One of this volume.

3. Three of the four communities examined were research sites for the Impact: 2-1/2 Project, at M.I.T. That project has been monitoring fiscal changes caused by Proposition 2-1/2 and acts as a clearinghouse for data on state and local finance.

4. With the help of civic leaders, social service providers, and the M.I.T. Department of Urban Studies and Planning, the Town prepared several surveys, needs assessments and budgetary reports prior to Proposition 2-1/2's passage.

5. The override affects the second year of Proposition 2-1/2. Any future changes in the state legislation require a new vote to be taken.

References

Black, Rebecca R.W. (1981) "Proposition 2-1/2 and Public Sector Labor Relations: The Issue of Lay-offs" Impact: 2-1/2 Working Paper Series.

Kim, Karl E. and Lawrence Susskind (1982) "The First Year of Proposition 2-1/2: A Look at Changes in Municipal Appropriations", paper presented at 1982 Association for Public Policy and Management Research Conference.

Morgan, Gwen (1982) Caring About Children in Massachusetts. Boston University School of Social Work.

Rubin, Victor, "Living With Less: Proposition 13 and Children's Services" in Kathryn Cirincione-Coles (ed.), The Future of Education: Policy Issues and Challenges (Beverly Hills, Sage Publications, 1981).

Susskind, Lawrence (1982) Proposition 2-1/2: Its Impact on Massachusetts (Cambridge, MA: Oelgeshlager, Gunn and Hain Publishing).

U.S. Department of Commerce, Bureau of the Census (1974) "Daytime Care of Children" in Current Population Reports, Series P-20, no. 298. Washington, D.C., U.S. Government Printing Office.

Responses to Local Fiscal Stress: Privatization and Coproduction of Children's Services in California

Victor Rubin
Children's Time Study
University of California, Berkeley

Introduction

By early 1983, four-and-a-half years after the passage of Proposition 13, it was hard to truly shock the California electorate with news of impending fiscal disaster. The state did temporarily go over the symbolic brink by issuing a few IOU's in lieu of checks, before a compromise revenue and spending plan was agreed upon by the legislature and new governor. And local governments were facing the apparent end of the state "bailout" funds, which had since 1978 replaced some of their lost property taxes. These events validated predictions that many observers had made several years earlier, based on the projected depletion of the state's revenue surplus. Yet by 1983 Californians had become accustomed to the seasonal alarms of budget shortages. They had come to expect public officials to regularly predict catastrophe, but had also come to expect them to integrate the practices of cutback management into the routines of public administration. Fiscal stress was no longer primarily a matter of crisis-hopping, it had become a continual, year-round political and economic context.

This transition to an ongoing climate of fiscal austerity has affected the ways in which local governments provide services. The changes have not been limited to technical adjustments intended to improve the efficiency of programs and facilities, though there has been much of that. Nor have the changes been simply reductions in the scope of government programs, though such reductions have been the most basic form of cutback

management. There have also been more qualitative changes in the relationships between governments and individuals in their capacities as clients, consumers and citizens. There have been innovations in the role of non-governmental organizations as providers of services. These qualitative changes, while spurred by fiscal austerity, are rooted in a variety of critiques of urban services that predate tax limitation measures, the state revenue crisis and federal budget reductions. In many ways post-Prop 13 California has become a testing ground for previously abstract or untried proposals about local government. And in no sector has there been more of this experimentation than in cultural, educational, recreational and developmental programs for school-age children.

This article is an analysis of the shifting styles of providing services to children, focusing on privatization and coproduction strategies developed at the local level in California since 1978. These strategies range in scope from the proverbial bake sale to multi-million dollar contracts involving complex tax shelters for investors. Some of the efforts are designed to increase the voluntary labor and financial contributions of parents without altering the structure of public management or decision-making. Others are intended to foster new or expanded non-governmental children's programs in place of, or in competition with those of school districts, cities, counties and special districts. Some have been controversial since their inception, while others have thus far enjoyed

approval by a broad consensus of citizens. Few of the changes have been analyzed in terms of their impact on families or on the political and fiscal circumstances of their communities.

Privatization, a term that has been used in different ways, is intended here to identify a transfer to non-governmental organizations of responsibility for the administration or financing (or both) of a previously public service. Coproduction refers here to expansion of the role of clients or citizens in any aspect of the service delivery process in conjunction with an ongoing public agency. The privatization rubric has always included arguments for the replacement of government bureaucracies with market-style mechanisms. It has also encompassed advocacy of greater service provision by traditional non-governmental "mediating structures" such as churches and voluntary associations. Critiques of the abuses of power by "the helping professions" have fueled movements for new forms of human services that are organized according to principles of client self-help and cooperative management. These three different strands in the criticism of existing service provision overlap in some respects, but they emphasize sharply contrasting images of democracy and political accountability.

No matter how combative the theoretical arguments for privatization may be, a great deal of the actual encouragement of non-governmental service provision has come from local governments themselves. The concept of coproduction, used mainly in the public administration literature, exemplifies this collabora-

tive thrust. Maximizing individual and collective voluntary efforts, and joint planning between government and private service providers or corporations are among the more significant aspects of coproduction.

Clearly there are many different tendencies in the general trend toward expansion of non-governmental service provision. Some projects require collaboration of public and private institutions, and may even be initiated by government. Other tendencies are vehemently "anti-state" in their rhetoric and philosophy. Some of the latter group follow from conservative social theories, while others, particularly the critique of hierarchical professions, have emerged from new left and feminist experiences and writings. And, in many of the more modest experiments, the activists would have little use for discussion of the theoretical fine points of pluralism or market efficiency or community control. Instead, the new non-governmental responses are seen as a practical, common-sense, non-ideological necessity in the face of shrinking resources.

While there is no unified movement for privatization or coproduction of services for children, the various tendencies are united by their shared political and economic context of fiscal austerity. The next section of this paper will outline an analytical framework which locates non-governmental service strategies within the broader process of political and social responses to local fiscal stress. In that section we will also endeavor to explain the particular vulnerability to budget

cutbacks of recreational, educational and cultural programs for children. This will be followed by a survey of experiences in California since 1978, to establish the diversity and scope of privatization and coproduction activities. Then we will present a case study of Oakland, a city in which examples of most of the strategies can be found.

Because most of these activities have begun only recently, and because data sources for systematic comparison are extremely rare, our empirical research is exploratory in nature. The goals are to identify trends, to establish meaningful categories for subsequent analysis, and to draw from the case materials indications of the political, fiscal and social consequences of these strategies. Most of the strategies have been implemented without prior estimation of their consequences. While the ideological debates continue it will help to have more empirical data on the early outcomes of privatization and coproduction for children, families, local governments and private organizations.

Children's Services and Fiscal Austerity: An Overview

As in most states, California's cities, counties, school districts and special districts, have traditionally provided a range of cultural, recreational and ancillary educational services for young people. These programs represent opportunities for children to develop intellectual, athletic, creative and social skills in non-coercive, broadly accessible situations.

In recent years they have also become an important form of day care for children whose mothers are employed outside the home. The services thus address several fundamental social goals: guidance and control of children and youth, cognitive development, and custodial care, as well as the more immediate objective of providing recreational opportunities for school-age children. The broader social goals are ones that out-of-school services have always shared, sometimes uneasily, with the regular school curriculum, the juvenile justice system, and various public and non-governmental social welfare agencies.

These out-of-school programs for children are especially vulnerable to fiscal pressures at the local level. The vulnerability is not the result of massive public disapproval or a particular record of ineffectiveness or waste, compared to other services. Rather, the programs are susceptible to relatively larger budget cutbacks because of their uncertain and changing social role.

This uncertainty, which has dogged out-of-school children's services since the late 19th century, encompasses several questions: How important are these services to social stability and to young people's intellectual, physical and emotional development? To what extent ought they be publicly provided or financed, and where do the responsibilities of parents and non-governmental institutions end? Are they, in a word, "essential" public services? Uncertainty on this last point often translates into lower priority in the budgeting process.

The contemporary collection of local out-of-school services reflects decades of social and economic change and the continual interplay between governmental and non-governmental agencies. For example, the original urban recreation departments and libraries were private charities which were turned over to cities early in the century, when they had outgrown philanthropists' resources. In the 1930's and 1960's the federal government supplied temporary fiscal relief for these agencies, and also introduced into them a number of socially-oriented youth programs.

Private foundations have also instigated innovation in programs for children and youth, in both government and non-profit agencies. And the private non-profit sector, once very independent of public financial support, has come to rely heavily on government funds through service contracts, subsidies for client fees, and job training grants. All this interaction suggests that "public," "private" and "local" are more relative than absolute attributes of most programs.

In each decade, public and private services for children and youth have been reoriented to address some highly visible social problem. In the Progressive Era the problem was the "Americanization" of urban immigrants; during the Great Depression it was massive youth unemployment; and in the 1960's the alienation of young people in central city ghettoes. In the 1970's the services took on--or were drawn into-- the struggles of a wide range of population groups who had largely been excluded from cultural and recreational programming. To their credit most central city

departments made progress in this regard, usually without a great expansion of their budgets. There was ethnic diversity in library collections for the first time; efforts to expand athletic opportunities for girls; outreach programs for the disabled; and in general a recognition of life circumstances and life styles that had been overlooked.

Simultaneously, there was growing recognition of the problem of supervision for many school-age children in the hours before and after the school day. There had always been some children left on their own, but the vast increase in the proportion of school-age children with mothers in the paid labor force broadened the issue and outstripped the capacity of existing programs and facilities. This lack of supervision came to be seen as a contributor to lower economic productivity, since working parents' absenteeism is higher when child care is inadequate, as well as being a problem for the children themselves. The phenomenon of "latchkey kids," those who returned home alone every day after school, began to command attention, and in many cities new or expanded programs were developed for them. School district officials for the most part acknowledged the supervision problem and its consequences for the learning process, but were not in a position to lend more than encouragement and occasionally, facilities to the new "extended day" programs. Child care centers operated by school districts with state aid provided a limited amount of care fow low-income school-age clients, but were not able to substantially increase this aspect without jeopardizing the finances of their

pre-school activities. Employer-sponsored child care activities, also traditionally concerned with pre-schoolers, began to experiment with information and referral and financial support for school-age programs.

Today, the concern for school-age child care is developing into a movement, complete with specialized conferences, technical assistance manuals and lobbying groups.[1] Explicit recognition of the needs of this group of children still would require a rethinking of the practices of many institutions that serve children. School-age child care has been provided by a mixed collection of governmental and non-governmental programs that includes many agencies not usually viewed as child care providers per se. Municipal recreation departments and libraries, along with venerable non-profit youth agencies such as YM and YWCA, Boys Clubs, Girls Clubs, 4-H and others are finding out that more and more of their offerings serve as de facto child care for families with working mothers. Museums, churches, community centers and public and private schools that offer late afternoon activities are finding a similar new calling as child care--and a resulting tension between competing program objectives. This collection of agencies provides services on a continuum that ranges from casual drop-in centers to completely structured five-days-a-week before-and-after-school experiences.

Fiscal austerity is forcing the issue of responsibility for school-age child care by increasing the competition for public resources at a time when demand for certain services is growing. Proposition 13, with its immediate and delayed impacts on children's

services, should be understood in this context of the diversification of constituencies for the services.

The responses of California's state and local governments to Proposition 13 have been well documented, and several studies apart from those of the Children's Time Study contain valuable information about the consequences for the budgets of children's services.[2] These reports have generally recognized the fact that distribution of the state surplus forestalled truly massive cutbacks, and that communities varied greatly in their capacity to generate new revenue sources or impose budget reductions without impairing services. There has been near universal agreement in the literature that certain budget priorities have been similar in all kinds of communities: "non-essential" recreational and cultural programs have borne the highest proportional cutbacks in cities and counties; and extra-curricular activities, athletics, and creative and performing arts have, along with summer school, taken the deepest reductions in education budgets. A 1981 study by the Children's Time Study documented the emerging trends.[3]

- Statewide, since 1978, public libraries, a large proportion of whose users are age 18 and under, have closed 8 percent of their facilities, laid off 10 percent of their employees and reduced hours of service by 14 percent.

- State support for summer school, which had served 860,000 kindergarten-eighth grade children in 1977, was virtually eliminated.

- The introduction of fees for users of services became a widespread practice. By mid-1979, 85 percent of the local parks and recreation agencies in the state had raised fees, with increases ranging from 30 percent to 480 percent.

- Almost every California city reduced operating hours at recreational and cultural facilities, typically to three or four days per week, with little or no evening service.

- Personnel layoffs and reassignments reduced the number of specialized, trained staff and the quality of instruction in arts, athletics and other program areas. This had a greater negative impact on children whose parents cannot afford the cost of private alternatives.

- Elimination of "outreach projects" such as bookmobiles and traveling museum exhibits became a common practice, reducing the salience of the services to many ethnic communities whose cultural needs and interests had only recently been recognized by these agencies.

In the intervening two years since this 1981 report, these trends have continued--a phenomenon linked to the reduction of CETA and other federal programs and the recession-induced decline in local revenues. Further, with future prospects for state general financial assistance to local governments in

doubt, we must assume that the children's services will face at least as difficult a period in comparison with other local budget priorities as they have since 1978.

Several factors beyond their characterization as "non-essential" contributed to the larger budget reductions absorbed by cultural and recreational programs. They did not often have highly organized or vocal client constituencies at the city-wide level. Though groups frequently mobilized to argue for particular facilities (e.g., parents united to try to save their neighborhood playground, or seniors organized to maintain a putting green or rose garden), these sporadic efforts did not generally change interdepartmental budget shares.

Professionals in libraries, recreation and school-age child care could not generate political influence comparable to that wielded by classroom teachers, police or firefighters, at either the local or state level. One side effect of Proposition 13 has been, however, increased sophistication of the Sacramento lobbying, local organizing and statewide communications of professionals in the smaller, less well established services. These services also were vulnerable because they had the highest proportions of temporary and part-time employees, who were administratively and politically simpler to lay off. And unlike some aspects of school curriculum, few if any recreational or cultural programs were mandated by state law. In fact, in the case of school-age child care at school sites, state funding and safety regulations sometimes created strong disincentives to maintaining after-school programs.

Given all of these political and bureaucratic liabilities, the managers of out-of-school services have had to develop sharper organizational skills. In a series of interviews with managers of agencies serving children in several Bay Area cities, we learned how their situation has changed. Department heads are in a pivotal position in the cutback management process, having to translate general budget reductions into decisions about the future of specific personnel, programs and facilities. Several department heads told us that the austerity made some of their long term reorganizing plans easier to implement: it was now easier to "get rid of dead wood" or to close inefficient small branches. Several reported that budget analysts from the city manager's or mayor's office were scrutinizing their departments' performance records more closely than before Prop 13. In a few instances, such as the Alameda County library system, employee unions and the administration developed competing proposals for cutback management and vied for the support of the service users and elected officials. In all the agencies studied, oversight by their city councils was generally restricted to a small number of controversial budget items each year, leaving most of the administrators' budget decisions intact.

Almost from the time of passage of Proposition 13 service managers, employees and concerned parents began searching beyond local and state budgets for new resources for children's programs. A certain amount of discretionary money could be generated through

more efficient management, and steps were taken in that direction with useful, if not spectacular results in many cities. But the larger target for new resources was thought to be the private sector: the business community, the non-profit and profit making service providers, the organized interest groups around each public service, and the great numbers of individuals and families. If raising taxes was to be difficult, then other ways of soliciting funds or human resources could be developed. If government agencies could not expand or even maintain their programs, then other organizations could be employed or even created. Howard Jarvis, coauthor of Proposition 13, had preached a gospel of smaller government. Many people in California who did not share his conservative philosophy found themselves experimenting, out of necessity, with alternatives to local government.

Coproduction and Privatization after Proposition 13

A. Management Reforms.

Beyond implementing budget cuts, service administrators were also charged with improving the efficiency and cost-effectiveness of their agencies. At first glance the sheer volume of innovative practices begun since 1978 by California cities is impressive: the League of California Cities and the California Taxpayers Association have each catalogued hundreds of reforms, and theirs are not the only accounts.[4] The League President, a council member from Long Beach, ascribed city governments' new found "flexibility and determination" and willingness to take risks directly to the taxpayers' revolt and fiscal crisis. The new practices include productivity improvements; contracting with private firms; reorganization of billing and permit procedures; and joint ventures among neighboring cities (typically to share the costs of a large facility). The activities are being undertaken in small rural townships, large suburbs, and the state's major central cities.

A closer examination of the collections of short-term management reforms suggests that they do not by themselves represent a solution to the fiscal stress of California's cities. Their limitations include the following points:

- Some "innovations" would be more properly be labeled "concessions" by employees. They are the outcome of bargaining, and while they may save money for a city, they are not intrinsically better ways of providing services. Examples from the League of Cities collection include downgrading job classifications and limiting employees'

vacation time carryover. In addition, many cases of contracting-out have based their cost-savings solely on the lower wages paid to private employees, a sore point with many unions, among others.

- Some of the reforms would have been carried out anyway, in any fiscal climate. Reforms in this category include newly available cost-saving technology, especially in data processing and energy conservation.

- Most of the reforms to date have been in central administration--the office functions which are being so dramatically transformed throughout the economy--and in public works and facilities maintenance. Very few innovations in the social or human services run by cities have been documented.

- The overall financial impact of these reforms does not appear to match the magnitude of the projected budget shortfalls for the coming years.

These limitations are not presented here to denigrate the substantial efforts of California's municipal managers, but to place them in perspective. Perhaps the most significant impact of these reforms will be to help restore public faith in city government. The voters who supported Proposition 13 partly in order to "cut the fat" may be more willing to vote for future tax increases or to voluntarily support city services with their time and money, if they believe those services are being administered efficiently.

In none of these reforms have public administrators relinquished any real authority to private organizations, nor have

citizens been given any more choices. The lack of opposition to most of the changes can be attributed to this lack of political issues. Privatization proposals stir more controversy when they would create new patterns of influence over key service decisions.

B. Private Fundraising.

If local governments are becoming more "businesslike" in their administrative procedures, they are even more thoroughly emulating private sector advertising and sales functions. Governments in California have been "selling" park benches and public buildings in unprecedented fashion, and are arranging numerous tax-exempt foundations through which citizens are urged to voluntarily support public services. There is no central data source on the cumulative impact of these innovations, but they have certainly attracted a great deal of attention.

In 1979 Menlo Park (population 27,000), a middle class suburb between San Jose and San Francisco, became the first city to publish a "gifts catalog" of facilities and services that residents could support. Tax-deductible donations are used for parks and recreation equipment, programs, and landscaping. As of November 1981 over $10,000 had been raised.[5] A similar recreation catalog in Berkeley, a larger and more heterogeneous city, has thus far been very unsuccessful. Berkeley had already voted a tax increase to fund its library and an assessment district to pay for streets and lighting. Either the catalog was not well publicized or convincing, or it was simply one reminder too many of the costs of government.

Cities and school districts have been arranging other

instruments for soliciting funds for children's programs. In Los Angeles the parks and recreation department, which has closed 24 small centers, has encouraged private contributions to its neighborhood programs. As a result, the $100,000 in private funds raised in the middle-class Northridge area is used there, while the neighbors in the low-income South-Central district have raised only $2500.[6] The city initially planned to cut its own budget by larger amounts in the wealthier areas to even out this disparity, but was forced by political pressure into a policy of equal cuts in all neighborhoods.

A policy of centralizing all private donations would have eased this equity issue for Los Angeles, but probably would have drastically cut down the amount raised. A recreation center or a neighborhood school is a much more personal and meaningful manifestation of government than is city hall or the school board, at least in a large community. Consequently the more direct the connection people have with the program or facility to be supported, the more they can be expected to give. Most of the school districts that have raised substantial private funds are not only wealthy but also small. (A profile of one of them, Piedmont, is included in the Oakland case study.)

There are now 33 school districts in California with "citizen education foundations," out of 1043 districts in the state. Most of these foundations have been created since 1978, though the fiscal crisis of California's schools has many causes in addition to Proposition 13. The Serrano decision, which mandated interdistrict equalization, combined with Prop-

osition 13's local revenue limit to give the state responsibility for more than 75 percent of all school expenditures. And as revenues have been centralized, spending per pupil and per capita has been dropping relative to other states. Districts in communities of all kinds have made substantial budget cuts.

The most common type of foundation raises money from parents and local businesses through volunteer efforts, and turns the funds over to the district to replace budget items. These items usually include extracurricular activities, recreation facilities, and elective courses, since they are more likely to be funded by discretionary money. Though these expenditures are by some standards less "essential" than the core curriculum, they symbolize quality education to many parents.

Most of these foundations are in the state's wealthiest districts, such as Hillsborough, Beverly Hills, and Piedmont, where they now account for fully 10 percent of the school budget. In communities of more modest means (including Modesto, Martinez, and Culver City), the proportions are much lower.

A second type of foundation, such as the ones in San Francisco and Oakland, operate more independently of the district administration. They raise more of their money from the business community, and their boards make grants to schools and programs of their own choosing. While they are among the largest educational foundations in the state, they represent less than one percent of their districts' budgets.

The foundations have generally been lauded for their stimulus to community involvement in the schools. One magazine

more on Redwood, page 38

writer enthused about the volunteers: "They're marching into the private sector as never before, and they're coming out with a commitment that puts the 'public' back in public education."[7] Of course, if in the long run the foundations reintroduce serious interdistrict spending inequalities, they would perhaps more aptly be characterized as "reprivatizing" public school finance. Thus far, even staunch supporters of equalization have only praise for the work of these foundations, since they are buttressing a shaky institution--the California public school.

After the passage of Proposition 13, there was a spurt of corporate philanthropy in excess of the usual amounts. Since corporations received more than two-thirds of the $7 billion in property tax relief, this generosity was at least in part an effort to improve their public image in a volatile political climate. Since public recreation programs were scheduled to receive the earliest and largets cuts, they received many of the new corporate donations. Since that summer of 1978, there has not been another such period of intensive, publicized philanthropy. Corporate leaders have definitely built stronger connections with the public schools in that time, however, at both the state and local levels. The California Roundtable, a business group, has close ties to the new state Superintendent of Public Instruction, and some of its members have advocated higher school taxes this year. Locally many companies lend executives to school districts to help them improve management, or they "adopt" a school and provide both financial and human resources.

Administrators and residents have devised a number of other entrepreneurial strategies for raising marginal but still important amounts of money. Perhaps the most novel and complex approach, sale and leaseback of public buildings, will be discussed in the Oakland case study.

The quest for private dollars to replace tax revenues has brought out the ingenuity, perseverance, and generous spirit of many Californians, and has brought some of them closer to their institutions of local government. These qualities should be appreciated in their own right, not only as instrumental goals in the perpetual search for ways to balance budgets. The short-run fiscal consequences have been very beneficial for children in a small number of communities, and marginal for the rest. The total amounts that have been raised pale in comparison to the transfer to the prive sector inherent in Propostion 13, but the impacts on certain specific programs have still been substantial.

There are long-term consequences to reliance on the private sector for support of public services, which Californians will begin to address in the coming decade. Will interdistrict or inter-city spending differentials increase, based on the ability to "voluntarily" contribute? Will intra-city differentials such as those in Los Angeles contribute to political fragmentation of the larger community? Will corporations gain control over sensitive aspects of educational policy in return for their contributions to the schools? At present, none of these prospects are cause for alarm among the new breed of public fundraisers.

C. Grass-roots Voluntarism and Organization.

Parents faced with cutbacks in their children's services following Proposition 13 could take several approaches to the problem, in addition to the financial contributions discussed above. One course of action was to organize neighbors to demand the restoration of services. In some locales, notably Alameda County, community-labor coalitions assembled out of a diverse set of employees, "alternative" social service agencies, and clients. More frequent were small-scale defensive actions organized by parents concerned with a particular facility. As noted above, these actions often won temporary respite from closing, but the shift of resources was usually from another part of the recreation and cultural budget.

Parents had several other options in response to cutbacks, including collective and individualized strategies. In several cities the government entered into formal agreements with neighborhood groups whereby the neighbors would do the routine maintenance for new parks or recreation centers. (Since capital construction funds were more abundant than operating budgets, facilities were still being built.) More common was an upsurge in the size and aggressiveness of support groups for libraries, parks and recreation, and museums. Statewide the use of volunteers in public libraries increased 282 percent.[8] Much of their time was spent on clerical tasks formerly done by CETA workers. Many cities hired paid volunteer coordinators for the first time, and took pains to calculate the savings resulting from unpaid work. (In the San Diego

public library volunteer labor in 1982 was equivalent to that of 17 paid employees.)[9] Volunteers have also provided the majority of the activists who have lobbied city council members and state legislators. They usually, but not always, work in concert with department heads in these efforts. (In San Francisco the Zoological Society and the Zoo director have been in serious disputes over management issues.) There has also been a real, if intangible shift in the way that volunteers are perceived by service workers. While many thorny issues about the substitution of unpaid for paid staff remain, there is a greater sense of respect for the volunteers' political skills and perseverance.

In the past decade many parent cooperatives for child care have been started in California. There is anecdotal evidence from Alamenda County that a number of new cooperatives for the care of school-age children formed after the closing of summer school and playgrounds.

All these forms of activism and service attest to the value which many parents and others placed on cultural, recreational and child care programs. The increases in unpaid hours are all the more telling given the large number of women in the paid labor force. It is equally apparent that this kind of activity is not in itself an answer to fiscal stress, for most service work still requires professional, full-time employees. Within these broad limits, however, a significant part of the public sector has been maintained since 1978 as a result of these efforts.

The encouragement of this kind of citizen participation is basic to any model of the coproduction of services. In fact most

examples in the literature on coproduction are of less time consuming and less altruistic forms of citizen involvement (i.e. putting your trash can at curbside to speed pickup, or installing a smoke detector in your home.)[10] Public managers who would maximize coproduction of children's services have several factors to evaluate, including the hidden costs of coordinating and monitoring citizens' activities, and the necessity of sensitizing staff and volunteers to each other's roles. The post-Proposition 13 experience suggests that these are serious issues but usually worth the effort.

D. New Non-governmental Programs.

In the strictest sense, privatized responses to reductions in children's services have been beyond calculation: every children's book purchased that would have been borrowed from the library, and everyvideo game played in lieu of an organized recreation program would qualify.[11] Yet while these individual behaviors were certainly commonplace, the creation of new organized programs was not very extensive, with some important exceptions.

Summer school was cut back 95 percent after Proposition 13, and several enterprises sprang up to recover some of the nearly one million students who had attended the year before. The American Learning Corporation, the largest of the new providers, made initial arrangements with 48 school districts but found sufficient demand to sustain only half of their programs. They charged $160 for a six week session. Other new operators found similar responses to

programs with comparable fees and curricula. There is no survey data on how most California young people spent their recent summer vacations.

Activity has been more brisk in the creation of new school-age child care programs. This cannot be as directly attributed to Proposition 13, however, since many of the programs had no governmental counterpart prior to the initiative. Instead, it is safe to say that in the absence of a fiscal crisis more of this demand would have been directed at public schools and recreation departments.

Most of the child care for school-age children has been developed by established non-profit agencies, often located in school facilities. There are47 sites of the YMCA Latch Key Program in the San Francisco Bay Area, for example, with an average of 50 elementary school-age children at each site. The first Latch Key Program, featuring before and after school recreation and education for children of working parents, opened in Portland, Oregon in 1969. The founder of that first center now works in Oakland for the YMCA, and there are hundreds of program sites across the country.[14]

The Latch Key Program, for which fees range from $1 to $2 per hour, has waiting lists at most of its sites and a generally good reputation for high quality care. They have tended to locate in schools in neighborhoods where most families can afford the fee. Comparable fees are charged at the Big Kids' Center, a service of Palo Alto Community Child Care. PACCC is a network of centers and

referral services that has grown from small, grass-roots cooperative beginnings. The Big Kids' Center (for children 11 to 14) occupies one room of a school site that has been given over completely to child care. The Center holds 16 children, and the director knew of no other one like it in the Palo Alto area.

One interesting aspect of these non-governmental programs is that aside from residing on school sites and following state and local codes, they utilize parks, recreation facilities, museums and libraries in the course of their activities. Once again, a sharp distinction between public and private would be somewhat artificial. A recent conference on school-age child care in Northern California showed that the representatives of schools, city governments, state regulating agencies and grantmakers, family day care providers and directors of non-profit agencies saw themselves as a single community. Thus even though the environment of school-age child care has many characteristics of a private market, it is inextricably connected to the policies of a raft of government agencies. It is what analysts of privatization have called a "quasi-market," with conceptual, political and operational constraints on its producers and consumers.[12] The situation is new enough that not even the major players are certain how the constraints ought to be altered to facilitate growth of an equitable service system.

Children's Services in Oakland

All of the major trends which have been described in this paper can be found in Oakland. Its financial status has required service cutbacks as severe as any California city, and this has prompted a wide array of coproduction strategies. The city's demographic and labor force composition ensures that affordable child care will be a pressing issue for many families. And major economic redevelopment activity has brought the business community into planning for the education and child care needs of the future workforce. We can develop a more thorough understanding of all the elements of change in children's services by examining their juxtaposition in one community.

Context

Oakland is California's sixth largest city (population 339,000) and one of its most heterogeneous. Twenty-seven percent of the children under the age of 18 live in families below the poverty level, one of the highest proportions in the state. Forty percent of the families with children under 18 are headed by women, compared with a national average of 17 percent.[13] Blacks comprise nearly half the population and whites 40 percent, with the remaining population roughly equal numbers of Hispanic and Asian Americans. The city is by no means only a low income minority ghetto, despite the concentration of poor people. Large sections of the city are middle and upper

income residential districts, and the waterfront and downtown areas are undergoing a revitalization of major proportions.

The city and the school district (with identical boundaries) have been severely constrained by Proposition 13 and attendant fiscal stresses. Oakland's revenue base (principally sales and property taxes) has grown more slowly than average for the state, and the city's heavy reliance on federal aid programs has meant serious cutbacks as those sources dwindle. The post-Proposition 13 budget reductions summarized above have all been felt in Oakland, where one fourth of the municipal workforce has been lost since 1978. The school district, while less dependent on local revenues, has also had to lay off several hundred employees and eliminate many programs, despite a recent upturn in enrollment.

The city administrators have employed many techniques to improve efficiency and generate revenue, including swifter tax collection and a streamlining of the budget process. The city has raised its business license tax and virtually all its permit and license fees, and has funded its large employee pension liability with a recent property tax override. Oakland is still relatively successful at attracting grants for economic development, and has recently experienced a small building boom downtown. It is hoped that the new office, commercial and light industrial development in the next decade will provide the major boost to the revenue base that will make further piecemeal, stop-gap measures unnecessary. In the meantime the city faces at least several more years of tight budgets imposed on an already shrunken public sector.

Coproduction of Recreational and Cultural Services

The pride that Oaklanders take in their exceptional municipal museum and extensive park, recreation and library systems did not spare them from serious budget cutbacks. In fact, insofar as that pride has long been manifested as a strong tradition of voluntary service, city managers may have felt that these agencies were in relatively better position to replace their lost general fund revenues. (Or, as the city's Public Works director puts it: "There is no 'Friends of the Storm Sewers' group.")

The recreation center and playground staff has been reduced by half since 1978, including the loss of CETA workers. Staffed playgrounds have been reduced from 50 to 17, while the more comprehensive recreation centers have all been kept open with at least minimal staffing. Attendance at Office of Parks and Recreation cultural lessons has dropped by 45 percent since 1975 as the number of classes has fallen and the fees have risen. Library hours have been reduced by 20 percent, the book budget by 25 percent, and the staff by 22 percent since 1978. Museum general fund allocations have been reduced by similar amounts.

Each department has mobilized its constituencies in a somewhat different manner. The Oakland Museum has gone through three unusual episodes in the effort to develop a stable source of funds. First, in 1976 the city faced a smaller budget crisis, precipitated by underfunding of its pension fund. Cutbacks at the museum that year prompted its management to institute an entrance fee for the first time (25 cents at each of the three galleries.) Instead of raising

much money the fee cut attendance in half and occupied a large portion of the time of volunteers, who had trained for jobs more edifying than collecting tickets. Families were the main population segment deterred by the charge. The museum soon rescinded the fee, admitting that social equity, efficient use of volunteers, and architecture (meaning the numerous entrances) dictated their reversal.

Soon after Proposition 13 the Oakland Museum Association, a private citizen's group which raises funds, proposed that it take over the Museum from the city government. This prompted a major battle between the mainly white, upper class art and natural history enthusiasts who were convinced that a private Oakland Museum could raise more funds from the community, and defenders of the present arrangement who worried that the Ethnic Studies Department and the extensive children's education programs would be jeopardized by private control. Eventually the proposal was defeated. The OMA has continued in its familiar fundraising role, while more recent cutbacks have been less severe. The new director, appointed after the fracas, is a black museum administrator with a background in music and early childhood education.

The third episode has demonstrated the City of Oakland's novel use of tax laws as a device for raising capital in an era when Proposition 13 has restricted its bonding opportunities. In brief, the City has sold the Museum property, but not the land on which the building sits or its contents, to a group of East coast investors who will use it solely as a tax shelter. The investors

have leased the building back to the City, giving also an option to purchase it back in 30 years and an assurance that they will not involve themselves in Museum business. Meanwhile the City uses the money it received at the time of the sale as capital for rebuilding an adjacent civic auditorium. Since no attorney has yet found fault with the concept and initial public scepticism has faded, the City is hastily drawing up plans for similar sale/leaseback arrangements using other civic properties. This loophole may be closed before city hall is put up for sale, but at the moment the Internal Revenue Service is the only certain loser in this unusual privatization process.

The public library has been somewhat more conventional in its search for resources. The director, who is skilled at community outreach, has gradually over seven years built a strong constituency to defend the library against further cutbacks. She has proceeded with a long term reorganization plan and reoriented the institution to better serve the ethnic minorities who comprise over 60 percent of Oakland's population. The indexes of children's use of the libraries have remained constant despite the 20 percent cutbacks since 1978 referred to above.

This generally effective style of administration has encouraged people to volunteer and to raise funds for the library at an unprecedented rate. The library has received about $800,000 for special projects in each of the last two years from state, federal and corporate grants. Since the government sources are now shrinking, there will be pressure to increase the corporate portion in coming years.

The situation in the Office of Parks and Recreation (OPR) is much more diffuse than in the library or museum. This agency is in practice a set of semi-independent functional bureaus, and is also divided in geographic service areas and subareas. In fact, a principal problem for coproduction of OPR services has been the lack of effective coordination among the estimated 119 support groups of various kinds. It seemed as if every garden plot, playground and athletic activity already had an organization formed in its behalf by the time OPR established the "Find the Gold Committee and the Friends of Oakland Parks and Recreation in order to maximize voluntary efforts. The Find the Gold Committee was a largely ineffectual subcommittee of the Parks and Recreation Commission. As its name implies, the Committtee had staff draw up an inventory of voluntary maintenance contracts (residents' labor worth and estimated $58,000 per year), increased revenue from fees ($140,000) and grants and donation ($151,200). Unfortunately there is no baseline data with which to compare this 1982-83 level of activity. However, even if the voluntary activity had not increased substantially from years prior to Proposition 13, the act of accounting for it symbolized a more serious approach to managing it.

Friends of Oakland Parks and Recreation was established in 1981 by former staff and commissioners. The existing support groups were initially hostile to Friends, and the new organization's leaders may have courted that hostility by seeming distant and claiming a broad mandate to coordinate all volunteer efforts. More recently, Friends has begun to operate several modest programs of its own and

has not imposed on other groups' turf. Friends, which has over 100 members, has established camping and swimming scholarships, an adopt-a-park fundraising plan, a gifts catalog, and numerous smaller projects to restor services and facilities. The group's staff person, who had previously worked for a militant local community organization, has plans for a technical study of the fundraising potential in the city. Perhaps such a study would help, for as of Spring, 1983 the group had raised only $6,000, far short of their stated goals of $100,000 by the start of 1983 and $1 million by the end of 1985. Of more immediate concern is finding a new source of support for the staff person's part-time salary, since the Interior Department planning grant which has paid it will soon expire.

All three cultural and recreational departments have been actively seeking outside resources, then, each in its distinct fashion. Interest groups that existed before the fiscal crisis have dominated the voluntary components of parks and recreation and the museum, and in each case disputes have arisen concerning privatization and coproduction strategies. Only in the library were the volunteer efforts relatively free of conflict and duplication. Not surprisingly, that is the agency where the director had created the strongest connection between management and the active members of the community.

School Age Child Care: Finding Room for a New Priority

The needs of Oaklands children for care outside school hours have been partially addressed by the typical collection of agencies:

school district child development centers, family day care providers, recreation centers, Latch Key programs, and several local variations on the latch key theme. Even the library system has an informal agreement with juvenile authorities that their troubled preadolescents are better off "hanging out" in the library than on the streets. But even though all these institutions have some involvement with school-age child care, their aggregate commitment appears to be well below the city's needs. There are some structural barriers to any radical change in this situation.

In Oakland there are approximately 1740 formal school-age child care spaces, for a population of elementary school age children with no parents at home during the day that has been estimated at 10,000. Most of the 1200 subsidized spaces are in school district centers, for which state funding formulas make after-school care fiscally less attractive than all-day care (for preschoolers). If this budgetary pressure mounts, more of the centers may move to close their school-age component, as one did this year.

Half of the unsubsidized slots are at seven YMCA Latch Key program sites. There are usually waiting lists for each of the sites, all of which are in middle or upper income neighborhoods. In the long run they should be capable of expanding to several more centers.

Many of the remaining slots are in family day care homes, where the operator can provide for six or twelve children at a time, depending on the license. Family day care for school-age children is growing in California and is expected to expand even more quickly if regulations are redrawn to show more sensitivity to the capabilities of these older children.

Several independent educators and recreationists have sought to create new after-school programs for low income preadolescents in Oakland. One promising new institution is the 60-student After School Academy. The two year old Academy has a varied curriculum more like a school than a recreation program, but is not simply tutorial or remedial. The Bay Area's largest foundation has awarded the Academy $107,000 over three years. This works out to $600 per year per child at the present enrollment, or an amount approaching the rates charged by some Latch Key programs or family day care providers.

While the After School Academy's success is impressive, primary reliance on foundation grants cannot be a realistic strategy for most groups. Foundations in this field tend to favor innovative demonstration projects, and will usually require the grantee to present a reasonable plan for becoming self-supporting within a few years. Furthermore, the Academy's grant was five to ten times the size of the average grant given by the several other Bay Area foundations with a special interest in children and education.

The experiences of another youth program illustrate how difficult it can be to get established as a provider of after-school care. Wilfrey Sanders, a young black school-bus driver, had for several years been informally organizing weekend outings for neighborhood children and students from his bus route. He would simply pick a destination, get permission from the parents, borrow a school bus, and go. Expenses that the parents couldn't pay he covered himself. Eventually he decided that he should formalize his program, called Discovery Unlimited, and expand its range of after-school recreational and educational activities. The program

was intended to reach the poor, minority children who were not reached by schools, churches, recreation or other agencies. After several months of work on establishing the program, he was making only very slow progress. He was not sufficiently credentialed to easily convince school authorities of his qualifications and plans. Efforts at charging nominal membership fees and soliciting door to door had caused some of his supporters to leave the group. Fund-raising through meetings with community groups was a slow and uncertain process. Chances for foundation grants seemed remote, given the embryonic state of the organization. Hopefully the rigors of fundraising and program planning will not wear down the enthusiasm that sparked this idea initially.

Even for the best prepared, best credentialed groups, philanthropic money for children's services is scarce. Not surprisingly, child care advocates in Oakland have targeted the business community as a source of future financial support. An Oakland Community Child Care Impact Study is being conducted, with city council approval, by a local child care referral and advocacy collective. From previous studies the collective has learned that child care providers feel that lack of capital and suitable facilities are the primary barriers to their expansion. The Impact Study people believe that their survey will reinforce the argument that as redevelopment of downtown Oakland creates jobs, it also creates child care needs. They would like to see child care included routinely in the analysis of the social and economic impact of new projects. Once the notion of corporate responsibility for child care has been established, the Impact Study group may propose

that major employers contribute to a revolving loan fund. The fund would provide working capital for the creation of new privately-run child care for workers in downtown Oakland. Care for school age children could presumably be a part of this project, but employer-supported child care has to this point been predominantly for preschoolers.

We have described opportunities in Oakland for the development of school-age child care and related programs, and some of the obstacles to their development. Even when there is little chance of governmental funding for these programs, there are public policies, regulations, plans, and other activities that will raise or lower these obstacles in the years ahead.

Fundraising for Public Schools

Oakland and its autonomous enclave, the City of Piedmont, are home to two of the more successful educational foundations in the state. The two foundations are as dissimilar as the two cities.

Piedmont is a wealthy, predominantly white residential community of 10,000, in the hills of the East Bay, surrounded by the City of Oakland. The Piedmont school district, with just three schools, is usually considered to be one of the best in the state. Yet despite this private wealth, Piedmont schools in recent years have had to plan for the possibility of cutbacks that would increase class size and eliminate programs such as music and athletics, among other things. Given that most school revenues now come from the state government, and that Piedmont was a net loser in Serrano-inspired equalizations, many Piedmonters feel besieged by governmental forces beyond their control. The Educational Foundation has become a tangible expression of resistance, a way of reasserting local control.

The Piedmont Foundation has worked closely with the school administration and school board each year. The administration presents a priority-ranked list of cutbacks to the Board of Education, which modifies or accepts it following a public hearing. This becomes the "buy back list," and as money is raised by the Foundation, items are removed from the list--thereby reinstated in the budget.

Campaigns for the Foundation play on the small-town sensibilities of Piedmonters, and the fact that many can spare the tax-deductible donation easily. In 1982, 38 percent of the households in the city made donations, and $420,000 was raised. In 1983, the entire list was reinstated, with $38,000 to spare, for a total of $512,000. Fifty-nine percent of families with children in school donated to the campaign. The average donation was approximately $400. The amount raised was equivalent to eight percent of the district's budget.

Piedmont's homogeneity and general satisfaction with the school system permit such a good-natured and abundant campaign. Across the line in Oakland, neither the financial resources nor the political quiescence obtain that would allow such a fund drive on a citywide basis. There are extensive volunteer activities and fundraisers for special projects at school sites, of course. The hill area schools, adjacent to Piedmont in some cases, usually raise substantially more from their surrounding communities than lower income flatland schools.

The Marcus A. Foster Educational Institute (MAFEI) is usually mentioned in surveys of California educational foundations as the first of its kind. Foster was superintendent in 1973 when he

created the institute as a way of providing small grants to teachers for special projects of their own design. After Foster's assassination that year, the Institute was renamed in his memory. It has always been formally independent of the school district and guards its prerogatives carefully. The Institute is still run with the same basic goals of rewarding excellence and providing seed money for curricular and administrative innovations.

MAFEI's budget was $370,000 in 1982, or less than the Piedmont Educational Foundation raised that year from a city with only three percent of the population of Oakland. (A Piedmont-scale foundation in Oakland would have $17,680,000.) Clearly, since MAFEI is not attempting to restore district budget cuts, the comparison cannot be a direct one.

MAFEI already has strong representation of the business community on its board, and it plans to raise money more aggressively in that sector in the future. The school district itself will be asking more of the same local corporations, whether to "adopt a school" or provide input on curricula for job training relevant to their Oakland operation. Cornell Maier, chairman of Oakland-based Kaiser Aluminum, is head of the California Roundtable, whose widely quoted critical evaluation of the state's schools was recently released. Maier is on record as supporting higher school taxes, a position which more corporate and political leaders now seem to support than in recent years. It is a long way from "Prop 13 Fever."

Conclusions

In our review of coproduction and privatization in children's services there has been no lack of activity to describe and analyze. Indeed, there is an almost frenetic level of activity in some

communities. But for all the hundreds of innovations and mobilizations, the changes do not appear to have altered basic social and political relations, as some theories of privatization would seem to predict. There were no great debates about markets and consumer choice in services, no prominent expressions of alienation from governmental bureaucracy. There was very little criticism of the service professions. This does not mean that these issues are not important or will not come up in the near future, but rather that a non-ideological pragmatism has so far dominated post-Proposition 13 survival strategies for these services. Most of the trends we observed were closer to the idea of coproduction than to privatization in its purer forms.

This pragmatic activism has had some significant short-run benefits for children in California. There are some services available to them that otherwise would not be there. Having recognized this fact, we still need to understand the longterm implications of all this activism for social equity and the political process.

Notes

Methodological note: The evidence presented here is based on the accumulation of data about public and private programs in California over a five year period. In addition to a thorough review of published materials, this collection effort has included more than forty interviews with service providers and citizen activists in Oakland, San Francisco, and a number of suburban communities in the Bay Area. There is a cross-indexed file of several hundred newspaper and magazine accounts of changes in children's services since Proposition 13, based on a representative cross-section of the state's press. There are institutional records such as budgets and activity levels for each of the institutions described in the Oakland case study. Where data is not specifically cited it is from these interviews or derived from records passed on to us by the agency. Interviews were conducted by the author and by Phyllis Weinstock, Hedva Lewittes, and Elliott A. Medrich.

1. The most thorough treatment is Ruth Kramer Baden, Andrea Genser, James A. Levine and Michelle Seligson, School-Age Child Care: An Action Manual (1982, Boston, Auburn House)

2. Children'sRights Group, "A Preliminary Analysis of the Effects of Proposition 13 on Services for Children in California" (1978, 2 editions, San Francisco, self-published); Department of Finance, A Study of the Local Government Impacts of Proposition 13 (1979, Sacramento, Department of Finance Program Evaluation Unit); San Francisco Study Center, The Impact of Proposition 13 on Bay Area Non-Profit Organizations (1978, San Francisco, Northern California Foundations Group.); Paul Terrell, "California Human Services Two Years After Proposition 13: An Analysis of Personnel, Organizational and Client Impacts in 13 Counties" (1980, Millbrae, National Association of Social Workers); Thomas B. Timar, "The Impact of Proposition 13 on Adult Education and Summer School Programs" (Berkeley, UC Berkeley School of Education, 1979)

3. Victor Rubin and Elliott A. Medrich, "Children's Out-of-School Services and the Urban Fiscal Crisis" (1981, UC Berkeley Schools of Law and Education: A Report to the U.S. National Institute of Education)

4. League of California Cities Innovation Exchange Program, More Cutback Management (1981, Sacramento); California Taxpayers' Association, 477 Steps to Reduce Local Government Spending (1981, Sacramento).

5. League of California Cities, ibid. page 16.

6. Los Angeles Times, June 17,. 1983, "Parks and Their Programs Wither in Prop 13's Wake"

7. Patricia Clark,, "Beyond The Bake Sale" San Francisco Chronicle, California Living magazine, December 12, 1982.

8. Los Angeles Times, June 17, 1983, "Prop 13: Libraries Find Grass-Roots Support"

9. ibid.

10. These examples are given in Jeffrey L. Brudney, "Coproduction: The Potential For Respeonsiveness and Effectiveness in the Delivery of Urban Services" The Urban Interest, volume 4, number 1, Spring, 1982. Also see Richard C. Rich, "Interaction of the Voluntary and Governmental Sectors: Toward an Understanding of the Coproduction of Municipal Services" Administration and Society, volume 13, number 1, May, 1981.

11. Information from Oakland Tribune column by Steve Lopez, January 16, 1983.

12. Jeffrey D. Straussman, "Quasi-Market Alternatives to Local Government Service Provision" The Urban Interest, volume 3, number 1, Spring 1981.

13. Population and income data from Phyllis Weinstock, "Children's Out-of School Services: Case Studies of Fiscal Austerity", Department of City and Regional Planning, University of California, Berkeley, Professional report, June 1983. Data derived from various 1980 U.S. Census reports.

Children's Programs in an Era of Scarce Resources

by

Carl E. Van Horn and
Susan Fuhrman with the assistance of
Susan Massart

Eagleton Institute of Politics
Rutgers University

CHILDREN'S PROGRAMS IN AN ERA OF SCARCE RESOURCES

The era of rapid growth in federal, state, and local governmental programs has come to a screeching halt. Local government expenditures peaked in fiscal 1974; state expenditures leveled off after 1976; and, federal aid to state and local governments reached its highwater mark in 1978.[1] Expenditure limitation fever--most visibly represented by California's Proposition 13--swept the country in the late 1970s. More recently, President Reagan and the Congress enacted the sharpest domestic spending cutbacks in history, by carving $53 billion in budgetary authority out of the 1982 federal budget.[2]

This article reports on how these dramatic changes in governmental spending are affecting children's programs in New Jersey. Specifically, we examine the overall impact of an economic recession, expenditure limitation laws, and federal budget cuts on major out-of-school children's programs: libraries, parks and recreation programs administered and funded by counties and municipal governments and day care programs administered and funded principally by New Jersey state government.

While children's services in New Jersey have not suffered unduly because of federal budget cuts, the combination of declining local revenues, continuing inflation in the costs of government services, state aid reductions, and federal budget cuts have exerted their impact to the detriment of children. Library services are squeezed by cuts in state aid and the inability of local governments to make up for aid cuts and escalating costs. Parks and

recreation, while somewhat more successful, have had to curtail services and enlist more volunteers. Social services, with the exception of day-care services, have suffered the sharpest cutbacks. The outlook for all children's services is clouded. The process of shrinking federal, state, and local resources has just begun and continuing declines in resources will have more devasting effects in the mid to late 1980s. Thus far, children's advocates have not mustered the political clout necessary to protect most children's services from the budgetary ax that has fallen on state and local government services in New Jersey.

The findings presented here are based on an analysis of a statewide survey of County Administrators and Finance officers and Municipal Managers and Finance Officers from 80 jurisdictions. Officials from 19 of the state's 21 counties and 61 of the state's 67 municipalities with more than 25,000 residents were contacted by Eagleton staff during February and March of 1982 as they prepared their fiscal 1982 budgets.[3] The statewide survey of senior administrative officials was supplemented by interviews with state and local programs managers in the three program areas and by interviews with "children's advocacy groups." (See Appendix A for a description of interviewees and communities contacted during this study.)

The New Jersey Context

Population and Income

In 1980, New Jersey's population was 7.4 million, an increase of 13.9 percent over 1970. With over 85 percent of the state's residents living in urbanized areas and a population density of 950 people per square mile, New Jersey is among the nation's most urbanized and densely populated states. The state's residents are relatively well educated, in formal terms, with roughly two-thirds having completed at least four years of high school.[4] Although the state's median age is over 32, over half the population is either under 18 years of age or over 65. Of the 2.2 million children in the state, more than half have working mothers and approximately 18 percent are growing up in poverty. Fifty-five percent of New Jersey's impoverished families are headed by single mothers. Nearly a third of the state's youngsters are black and hispanic; for those children, the infant and fetal death rate is doubled and the poverty rate is almost doubled.[5]

The state's per capita income of $8,100 is among the nation's highest and real purchasing power is expected to increase during 1982 by 3.5 percent. However, approximately 8 percent of the labor force was unemployed during 1982 and one in ten live below the poverty level. In short, the state's characteristics--population growth, urbanization, high density, high income, and large share

of younger and older citizens--are those traditionally associated with relatively high demand for public services and for children's services.[6]

Governmental Finance

Despite its characteristics, New Jersey state and local government spending per capita is only slightly above the national and substantially below the Mideast region.[7] While state government expenditures in 1980 grew by 11.4 percent over 1979, when these figures are adjusted for inflation, the increase was only 2.2 percent. State government revenues have also increased at a slightly faster rate than expenditures. From 1976 to 1980, the ratio of federal aid to state revenues has declined to approximately 33 percent, or for every $1 raised by the state, the federal government gives 33¢.

Local government expenditures, by counties, municipalities, school districts, and special purpose districts, have also increased in current dollars, but have not kept pace with inflation. In fact, in real terms, local expenditures have actually declined in the last few years, as have local revenues and federal aids. From 1976 to 1980 the ratio of federal aid to local government revenues reached a high of 28 percent in 1978 and had declined to 17 percent in 1980. As a result, local governments have had to finance ever increasing amounts of their services from local tax sources.[8]

State government is the minority partner in New Jersey government finances, with the state typically raising less than half of state and local revenues. The state is principally responsible for

public welfare, social services, health and hospitals, and transportation. Local governments, however, dominate spending for education, highways, public safety, and parks and recreation, libraries, and maintenance of the local, public capital stock.

Expenditure Limitations. In 1976, New Jersey became the first state in the nation to impose restrictions on state and municipal taxing and spending practices. At the state level, expenditures were limited to increases in state per capita income of the preceding two years. Excluded were state aid to local government, federal aid, and payments for the retirement of debt. Most municipal and township spending increases were limited to 5 percent per year from all revenue sources; and counties were permitted to increase property tax levies by only 5 percent per year.

Although the precise impact of the "caps" is difficult to assess, in general they have had little effect on spending.[9] After recovering from the 1973-1974 recession, New Jersey spending had leveled off before the cap law went into effect in 1977. Spending in New Jersey cities was apparently more sensitive to cyclical changes in the economy than to the legal constraints. It has been argued however, that the municipal caps brought about substantial improvements in municipal budgeting and priority setting practices. Because its initial implementation took place during a period of 8 to 9 percent inflation, it is believed that the expenditure and revenue limitation law caused local government to eliminat the "frills" from their budgets and do away with so-called "waste and abuse" as early as 1977 and 1978.[10] Consequently, whether

spurred by a decline in the economy and therefore reductions in receipts or by the practices instituted in the wake of the cap law, New Jersey state and local governments had tightened their belts for several years prior to the 1982 federal budget cuts.

Summary

New Jersey is a state with a high demand for public expenditures and services because of the incidence of poverty, the degree of urbanization, and the decaying nature of the capital infrastructure, especially in its urban areas. Reliance on the local property tax to meet these expenditure demands has been great even with the enactment of a statewide income tax in 1977 which increased state aid to education. Dependence on federal aid increased sharply during the early 1970s, but federal aid declined beginning in 1979. Since 1976, the state's local governments have lived under a limitation on expenditures and taxes that typically restricts yearly governmental growth to no more than 5 percent. The expenditure limitation law, when combined with the impact of inflation and declining federal aid, meant that state and local government services had been shrinking or standing still for several years prior to the federal budget cuts of 1982. Simultaneously, the state faced nation's worst recession in thirty years.

A Profile of Federal Aid Reductions

Table 1 summarizes how the federal budget rescissions and reductions were apportioned among New Jersey state and local

Table 1: Highlights of Program Reductions Federal (FY 1982) and Rescissions (FY 1981) in Federal Operating Aid to New Jersey

(in millions)

A. Overview	Total	State	Local	Individual
Federal Aid Level Reductions in FY 1982	$550.8	$48.6	$206.8	$295.4
Federal Aid Rescissions in FY 1981	$110.7	$ 1.4	$ 93.2	$ 16.1
Total Reductions and Rescissions	$661.5	$50	$300	$311.5
Share of Reductions and Rescissions	100%	7.6%	45.4%	47.1%

B. Programs Operated by State Government

The $50 million in federal aid rescissions and reductions in programs operated by state government were divided as follows:

Programs Reduced or Eliminated	Amount in Millions	Percentage of Total
Human Services Programs, including Title XX (Social Services, Block Grant)	$20.0	40.0%
Health Programs, including alcohol abuse, maternal and child care, family planning and health planning	$13.6	27.2%
Public Service Employment, the state Employment Service and other training programs	$ 7.2	14.4%
Mass Transit operating subsidies	$ 6.6	13.2%
Environmental Protection programs	$ 1.8	3.6%
Various Program areas	$ 0.8	1.6%

Table 1 (continued)

C. Programs Operated by Local Governments and School Districts

The $300 million in federal aid rescissions and reductions in programs operated by local government were divided as follows:

Programs Reduced or Eliminated	Amount in Millions	Percentage of Total
Public Service Employment and other training programs	$198.3	66.1%
Education Programs, including compensatory education, child nutrition, impact aid	$ 56.5	18.8%
Grants and Guaranteed Loans for Economic Development Projects	$ 26.5	8.8%
Community Development Block Grant	$ 10.0	3.3%
Various Program Areas	$ 8.7	2.9%

D. Programs Providing Direct Financial Assistance to Individuals

The $311.5 million in federal aid rescissions and reductions in aid to individuals and small businesses were divided as follows:

Programs Reduced or Eliminated	Amount in Millions	Percentage of Total
Loans and Aid to students enrolled in institutions of higher education	$167.6	53.8%
Financial Assistance for Low-income people, including AFDC, Food Stamps, energy assistance, work incentive programs	$ 93.4	29.9%
Assisted Housing Programs	$ 24.7	7.9%
Trade Adjustment Assistance	$ 25.0	8.0%
Various programs to help owners of farms	$ 0.8	.4%

Source: Governor's Washington Office, State of New Jersey, January 1982.

governments and individuals. The divisions between categories are somewhat artificial because most programs operated by state and local governments are designed to benefit people. The distinction we make has to do with whether the state or local government is responsible for delivering a service or not. Programs listed under "financial aid to individuals" generally provide direct cash payments, though state and local agencies are involved in program administration. Programs listed under the "state" or "local government" categories involve the delivery of a wide variety of services through governmental agencies and private organizations.

Generally, the data show that federal aid cuts fell primarily on programs operated by local government (45 percent or $300 million) and on direct assistance programs for individuals (47 percent or $311.5 million.) In contrast, state government operated programs sustained a relatively small reduction of $50 million or 7.6 percent of the total. Moreover, low- and moderate-income people lost the lion's share of federal aid. Three fifths of all the cuts came in programs that provide direct assistance or services to such individuals, including public service employment programs, aid to families with dependent children, Food Stamps, and assisted housing programs. As a result of the federal budget cuts, over 6,000 PSE jobs were eliminated, 11,200 cases were dropped from the AFDC rolls and 60,000 people were either eliminated or received reduced levels of assistance due to revisions in AFDC eligibility standards. Sixteen thousand households or approximately 48,000 New Jerseyans received reduced benefits under the Food Stamp program. Although

important, the impact of cutbacks in income transfer payments are not the principal issue addressed in this article. Rather, we will describe the overall budget reductions on services provided at the state and local level and try to assess their impact on children's out-of-school services.

Before moving on to our analysis, however, it is important to comment on the difficulty of assessing the impact of fiscal stress and budget cuts on children. While attempts have been made to construct a "children's budget" and assess changes in budgetary resources for children,[11] we are not convinced that this is a particularly useful approach. One can categorize day-care services, maternal and child health care programs, and child nutrition programs easily enough, but what about traffic safety, fire protection, and community development and employment programs that provide indirect benefits to youngsters and their parents?

Because of the inherent difficulties of classifying programs under one rubric or another, we decided instead to describe the overall trends in service reductions brought about by shrinking local, state and federal revenues then focus on how three program areas that provide important out-of-school services have been affected during this fiscal year. At the local level, we will examine the impact of reductions on libraries and on parks and recreation programs, which are funded largely by local resources and are therefore indirectly affected by the general fiscal climate of the community. At the state level, we will examine how federal budget reductions have altered the provision of state-supported

day-care services, which are funded primarily by the federal and state government.

Impacts on Local Governments

In order to ascertain the impact of the loss of $300 million in federal aid, we surveyed senior budget-makers from 80 counties and municipalities across the state. The jurisdictions represent three-fourths of all county and municipal expenditures in the state. We explored how the federal aid reductions affected government employment, services, and taxes.

Government Employment

Virtually all of New Jersey's counties and over half of its municipalities released public employees in response to federal budget cuts. (See Table 2, Part a.) The state's larger cities with high concentrations of low-income residents were hardest hit for the obvious reason that they had been the beneficiaries of federal aid targeting formulas in the past. For example, Newark reported lay-offs of 1,600 workers or over twenty percent of its workforce; Paterson terminated over 500 employees; and, Elizabeth lost 300 workers. While these less prosperous communities were most effected, those with relatively higher property wealth also experienced lay-offs, as shown in Table 2, Part b. As expected, low- and middle-income jurisdictions lost relatively more employees than those with high incomes (See Table 3, Part c). Despite differences in the fiscal conditions of municipalities that laid-off workers, the more striking conclusion is that employee lay-offs

Table 2: Public Sector Laid-offs in New Jersey attributed to Federal Aid Cutbacks

(a)

	Laid-off Workers? Yes	No	Total
Counties	19 (100%)	-	19 (100%)
Municipalities	33 (56%)	26 (44%)	62 (100%)
Total	52 (67%)	26 (33%)	78 (100%)

Per Capita Property Valuation, 1980
Quintiles (N=62)

(b)

Laid-off workers?	Lowest	2	3	4	Highest
Yes	67%	54	50	58	53
No	33%	46	50	42	47

Per Capita Income, 1970
Quintiles (N=62)

(c)

Laid-off workers?	Lowest	2	3	4	Highest
Yes	57%	54	75	50	46
No	43%	46	25	50	54

Source: Survey of Local Government Officials conducted by the Eagleton Institute of Politics during February and March 1982.

were so widespread that they affected communities of widely varying characteristics.

The principal, but no means the only, cause of government employee lay-offs was the elimination of the Public Service Employment (PSE) programs funded by the Comprehensive Employment and Training Act (CETA). In March of 1981, President Reagan proposed, and Congress subsequently approved the phase out and elimination of federally-supported public jobs. In New Jersey, this meant that $70 million in wages for over 6,000 workers in local and state government agencies and in private non-profit organizations would no longer be available by September of 1981. Local governments and non-profit groups had few choices: absorb the workers on their payrolls; place them in the private sector; transfer them to other continuing CETA programs; or, terminate them.

The sudden elimination of PSE funding took place on the heels of PSE program cutbacks that began in 1979. PSE reached its peak in 1978 when the federal government supported over 725,000 jobs nationwide. By 1981, the CETA-PSE workforce had shrunk to 200,000 and, of course, by 1982 it was zero. Consequently, local governments were already in the habit of laying off PSE workers when the final blow was dealt to PSE. This fact made it no less difficult to maintain public services at the PSE-dependent levels reached a few years earlier.

Based on information obtained from fourteen of the twenty-two jurisdictions responsible for program administration, we determined

that as of September 1981 approximately one of five PSE workers was hired by local government agencies at a total cost of approximately $13 million during the first fiscal year. In contrast, private non-profit agencies reported that they were unable to hire more than a handful of the PSE participants who had staffed their organizations.

Public Services

Reductions in government employment of this magnitude inevitably bring about the curtailment of public services. The data in Table 3, Part a reveal that the majority of the state's counties and muncipalities curtailed services to their residents in response to federal aid cutbacks. Local government officials decided to pass the federal budget cuts along to their constituents rather than pick them up on the local budget. Local governments were either unwilling or, more commonly, unable to absorb more than a small amount of the federally-funded services in their communities. For example, Camden and Passaic County absorbed 2 and 3 percent of the federal cuts, respectively. In no case, did we find a jurisdiction that was willing or able to off-set more than 11 percent of the federal aid loses.

Naturally, the severity of the service reductions are associated with certain local characteristics. Jurisdictions with relatively large populations that spend relatively more on public services per person, receive more intergovernmental assistance per person, or have relatively limited local resources, have experienced greater public service reductions than those without these traits. As shown

Table 3: Public Service Reductions in New Jersey attributed to Federal Aid Cutbacks

(a)

	Reduced Services? Yes	No	Total
Counties	13 (68%)	6 (32%)	19 (100%)
Municipalities	27 (46%)	32 (54%)	59 (100%)
Total	40 (51%)	38 (49%)	78 (100%)

(b)

Per Capita Property Valuation, 1980 Quintiles (N=59)

Reduced Services	Lowest	2	3	4	Highest
Yes	75%	46	50	27	33
No	25%	54	50	73	67

(c) Jurisdictions which specified a service reduction:

	YES	NO	
Parks and Recreation	17 (40%)	26 (60%)	43 (100%)
Health Services	18 (42%)	25 (58%)	43 (100%)
Public Works	21 (49%)	22 (51%)	43 (100%)
Sanitation	11 (26%)	32 (74%)	43 (100%)
Fire	13 (33%)	27 (67%)	40 (100%)
Police	14 (33%)	28 (67%)	42 (100%)
Libraries	14 (33%)	29 (67%)	43 (100%)
Social Services	19 (45%)	23 (55%)	42 (100%)
Streets and Bridges	16 (37%)	27 (63%)	43 (100%)
Environmental Protection	7 (17%)	34 (83%)	41 (100%)
Arts	5 (13%)	35 (87%)	40 (100%)
Training and Employment	19 (45%)	23 (55%)	42 (100%)

Source: See source on Table 2.

Table 3: (continued)

(d) Children's Services Reduction
By Jurisdiction and Population

	Jurisdictions Reducing Parks & Recreational Services	Jurisdictions Reducing Library Services	Jurisdictions Reducing Social Services
Counties			
440,000 and above	0	1 (17%)	6 (100%)
Less than 440,000	0	0 (0%)	1 (17%)
	0	1 (8%)	7 (58%)
Municipalities			
84,000 and above	1 (20%)	1 (20%)	3 (60%)
40,000 - 83,999	10 (71%)	6 (43%)	5 (36%)
30,000 - 39,999	0 (0%)	1 (33%)	1 (25%)
Less than 29,999	5 (63%)	4 (50%)	2 (25%)
	16 (55%)	12 (42%)	11 (38%)

Table 4

CHILDREN'S SERVICES REDUCTION AND SOCIO-ECONOMIC FACTORS

Pearson Correlations*

Jurisdictions Reporting Reductions In:	Property Tax Rate 1980	Growth in Property Tax Rate 1975-1980	Growth in Per Capita State Aid 1975-1980	Per Capita State Aid 1980	Per Capita Property Valuation 1980	Growth in Property Valuation 1975-1980
Parks & Recreation	-.14	-.33	-.50**	.03	.05	.29
Libraries	-.09	-.58	-.37	.07	.01	.29
Social Services	-.15	-.49	-.12	.21	.37	.89**

*Jurisdictions reducing a service were scored a 1; jurisdictions not reducing were scored a 2. A negative correlation indicates a factor associated with service reduction. A positive correlation indicates a factor associated with service maintenance.

**Significant at the .005 level

Source: See Source on Table 2

in Table 3, Part B, communities with lower per capita property valuation, those least able to off-set the losses, were hit the hardest.

Service reductions occured in all local government departments, as revealed by Table 3, Part C. However, social services, public works, parks and recreation, health services, and of course, employment and training were more likely to feel the pinch. Thus while children's services were not insulated from cuts, they also did not suffer disproportionately.

Those jurisdictions which reduced children's services cannot be consistently distinguished demographically or socio-economically from other jurisdictions. Spending on parks and recreation was reduced primarily by municipalities, not by counties. Moderately large cities and small cities were more likely to reduce this item than were very large or moderately small cities. The same pattern holds, although less strongly, for library services. Social services, however, were reduced mostly by large counties and cities. (See Table 3, Part D)

Jurisdictions which had experienced a large growth in property tax rate between 1975-80 were more likely to cut all of these children's services, but they were also more likely to cut more services. Both parks and libraries were more likely to be reduced by places with growing per capita state aid; although there is no relationship between the amount of state aid per capita and behavior in these services.

The only clear-cut socio-economic patterns relate to social service reduction. Communities with relatively high property tax bases and places where such bases are growing were least likely to reduce social services. (Table 4)

Overall, social service programs for youth, adults, and senior citizens were hit hardest by federal cutbacks. Public Service Employees working for governmental and private non-profit agencies delivering social services were terminated; Social Services Block Grant and Community Services Administration programs were curtailed; and local governments, otherwise strapped to balance their budgets, tended to withdraw or reduce local support for the social services. The social services typically reduced or eliminated in New Jersey included child and adult day-care, legal services for the poor, and services for the disabled and elderly. On rare occasions groups representing social service clients were able to mobilize enough opposition to the cuts to receive some restoration of support from local budgeters, but such reprieves represented no more than a small percentage of their total losses. At the local level, social service directors and children's advocacy groups agree that senior citizens were considerably more effective than children's advocates in gaining local funds for programs reduced or eliminated by federal cutbacks. Groups lobbying for day-care services were more successful on the state level, however, as we shall describe in more detail below. Local officials predict widespread and more intense demands for local funding of social service programs in the 1983 budget cycle, but none of the city officials with whom we spoke indicated that

their local budget could assume the costs of programs previously funded by the federal government.

New Jersey's local government officials displayed a marked preference for protecting core public services, such as fire, police, and sanitation, at the expense of other services. However, several large and small jurisdictions were forced to cut police and fire departments in 1982. One local official remarked: "Prior to the federal reductions, we reduced personnel due to CAP constraints (the state's expenditure limitation law). Now we don't have many options. We're turning to police and fire; we've nothing else to cut." Because core services were shielded, for the most part, during this round of budget cuts, local officials worry that they will not be able to absorb further federal or state budget cuts without serious erosion in these basic services. Even the smallest and least federally dependent communities feared the possible elimination of General Revenue Sharing funds that support local police and fire departments.

Local Taxes

Despite widespread public employee lay-offs and corresponding reductions in public services, many New Jersey communities found it necessary to raise taxes due to federal budget cuts, as Table 5 reveals; approximately two out of five of those surveyed attributed some or all of their property tax increases this year to federal budget cuts. Interestingly, there is not much interest in instituting other revenue raising devices. Only six municipalities plan increases in user fees for libraries, social services,

or other public services. Federally-induced property tax increases have generally occurred in the larger municipalities in the state and, while tax increases are spread across municipalities with varying fiscal conditions, the local tax bite is more likely to increase in communities with relatively lower per capita property wealth (See Table 5, Part b and c).

Thirty-five percent of the jurisdictions cutting parks also raised taxes; the same percentage holds for libraries. However, 68 percent of those places cutting social services also raised taxes. Perhaps those who had to cut social services were the most hard-pressed, having to resort to both increases and budget cuts, whereas the other services were cut in places somewhat less stressed. These findings might be interpreted as indication that parks and libraries are somewhat more readily cut than social services. The relative marginality of the first two services, the small percentage of total budgets they consume, would support this interpretation. However, social service tended to be cut heavily by counties and less leavily by municipalities. Counties in New Jersey are less fiscally strapped than municipalities. Their cap laws are less restrictive, as explained above. The fact that more areas cutting social services also raised taxes may simply reflect the legal ability of those places to raise taxes, and their decision to exercise that right. In fact, large counties, the jurisdictions most likely to make social service cuts, were the ones most consistently reporting tax increases.

Though taxes went up in a number of communities, the portion of the increases attributed to federal budget cutbacks was small; in no case did the tax hikes make-up for the full amount of lost federal aid. Generally, New Jersey's local government officials were unwilling to raise local taxes to off-set federal aid losses, which was reflected in their strategy of passing the cuts along to the citizens. Many local budget officers were also unable to raise taxes due to constraints imposed by the state's expenditure limitation law. A move to revise the state's "CAP" law, by exempting expenditure or tax increases brought about by the reductions in federal aid, was killed in the New Jersey Legislature, but still may be revived. Local government officials were not unified in support for this reform measure.

Just as in the case of future public service reductions, there is great uncertainty about whether revenues will have to rise in the future to meet further reductions in intergovernmental aid. Most officials anxiously awaited decisions in Washington, D.C. and Trenton before announcing local revenue strategies for 1983, but many predicted property tax increases of larger magnitudes than experienced in 1982, if federal or state aid declines in fiscal year 1983.

State Aid to Local Governments

Local governments were not pleased with the state's 1983 budget. A Democratically-controlled legislature and a newly elected Republican Governor reached an eleventh-hour compromise on the

Table 5: Local Tax Increases in New Jersey attributed to Federal Aid Cutbacks

(a)

	Local Taxes Increased? Yes	No	Total
Counties	7 (37%)	12 (63%)	19 (100%)
Municipalities	25 (43%)	33 (57%)	58 (100%)
Total	32 (42%)	45 (58%)	77 (100%)

(b)

Municipal Population, 1980 Quintiles (N=58)

Increased Taxes	Lowest	2	3	4	Highest
Yes	42%	33	36	25	83
No	58%	67	64	75	17

(c)

Per Capita Property Valuation, 1980 Quintiles (N=58)

Increased Taxes	Lowest	2	3	4	Highest
Yes	55%	46	38	42	35
No	45%	54	62	58	65

Source: See source on Table 2.

state's fiscal 1983 budget that actually reduced state aid to local governments by holding back $32 million of the $150 million in gross receipts from utilities that had traditionally been passed on to local governments in the form of general assistance. The Democratic leadership made the continuation of local aid from the Gross Receipts tax a major issue in the fractious budget debate and actually passed an appropriations bill that included "full" funding for local governments. Governor Thomas Kean exercised his line-item veto power to strike the $32 million as one of several acts required to maintain what he describes as an adequate state surplus. The legislature had given him a budget with virtually no reserve funds. Three months after the 1983 budget went into effect, it was already out of balance due to unanticipated declines in revenue from the state income tax and sales taxes.

Facing a $150 million shortfall, the state's elected officials wrangled for months over how to make-up the difference. Governor Kean proposed tax increases on alcohol, cigarettes and gasoline. The Democrats, and a few Republicans, preferred to increase the state's income tax. Republican members of the Legislature coalesced around increasing the state sales tax. With no agreement forthcoming, the Governor announced another round of budget cuts to make-up for the anticipated revenue shortfall.

Just a few days before the $150 million cutbacks were to take effect, the winning compromise was discovered. The legislature increased the state sales tax from 5 to 6 percent (a move that the

Governor and the Republic party would accept responsibility for) and increased the state income tax from 2½ percent to 3½ percent on individuals and families earning over $50,000 per year (a move that the Democrats were willing to take responsibility for.) The new taxes restored some of the cutbacks in aid to education and transportation that had already occurred, but the principal effect of these decision is that they will help the Governor and the legislature hold the line on further significant cuts in state aid during this fiscal year or during the coming fiscal year. The tax increases are not likely to bring any windfall to New Jersey state or local government, but rather will be used to offset the substantial losses in revenue that have been brought about by the continuing national recession. Nevertheless, the Governor has promised an additional $30 million in cutbacks during this fiscal year, but he has not announced which departments and programs will feel the pinch.

Libraries and Children's Services

Inflation in the costs of books and periodicals, reductions in state aid, and reductions in local assistance have seriously affected many of the state's 330 municipal and county library systems. State aid, amounting to 10 percent of the average public library budget, was reduced or eliminated in 65 communities this year; one-third of the 43 communities reported service reductions in library services due to federal aid cutbacks.

Problems for libraries are most severe in the state's largest cities where reliance on the local property tax is clearly insufficient to meet increasing costs. Take Newark, for example; where the city's library system is experiencing a $600,000 budget deficit this year due in large part to reductions in state aid and the inability of the city to make up the difference. Between 1975 and 1982, the city of Newark increased its support for the library by nearly 50 percent, whereas state aid declined by roughly 26 percent to less than 6 percent of total library expenditures. This year the city cannot afford to increase its contribution. Library officials in the city have responded by laying off 89 employees or one-third of its staff; operating hours have been reduced by one-half over the last year. Its 10 branches have been closed on Saturday and Sunday, night hours have been reduced and special programs for Hispanics, senior citizens, and children eliminated.

The City of Paterson's library system suffered a 40 percent reduction in local assistance and an eight percent reduction in state aid in one year. Four of its seven branches have been closed since September 1982 and the staff of the main library have been put on lay-off notice. Paterson's library system is teetering on the brink of extinction because the City

drastically reduced its support in order to effect savings that would help the city make-up for substantial reductions in federal aid. Thus, while libraries are not directly affected by federal aid cutbacks, they suffer indirectly from the increased fiscal pressure on local governments. Paterson's libraries got in such deep trouble when the Mayor asked the library to replace a substantial cut in the city's contribution by selling a highly valued oil painting from the library's collection. A court injunction stopped the sale, however, when a citizen's group successfully sued the city, claiming it had violated the original bequest of the painting's donor.

Problems in the City of Camden parallel those in Newark and Paterson, but the causes are somewhat different. Camden has drastically reduced acquisitions--from 8,000 per year to 1,000 this year--, dropped weekend and evening hours, and eliminated reference staff. Children who use the library for studying, who tend to be low-income, minority students, have suffered the consequences of these service reductions in services, according to local librarians. Camden's city officials have not increased aid to the library for 10 years and state aid has also declined by roughly 10 percent.

While problems reported by libraries in the state's moderate and smaller communities are less serious, they are also experiencing reductions in services, due in large part to the reduction in state aid. The state-aid formula for funding libraries has created a Catch 22 situation. In order to receive state aid libraries must

meet a minimum level of operating hours, have a minimum staff, and adhere to a specified level of new acquisitions--criteria designed to insure full service libraries. However, libraries that need state aid the most to remain open, pay staff, and acquire books are usually the ones that can least afford to meet the state criteria because of cutbacks in local resources. The condition of the state's county and municipal library systems can perhaps best be described as paralysis. As state and local aid decline they have no choice but to reduce services, which further erodes any constituency that might be mobilized on their behalf. Thus far, no visible or effective groups have emerged to champion libraries at the state or local level. Interestingly, few libraries have increased user fees to help off-set their operating costs. As one librarian put it: "raising the fees is counterproductive, violates the concept of a free public library system, and doesn't raise much money anyway."

In summary, library services are being hurt badly by declining support from state and local governments, which are cutting back on their budgets in response to reductions in federal aid and revenue shortfalls caused by a weak state and local economy. Inflation in the costs of library materials relentlessly drives operating expenses beyond reach. As the state's Librarian put it, "Libraries are taken for granted." Thus far the library professionals and those who benefit from their services have not been able to turn the tide of budget cuts away from their doors.

Parks and Recreation and Children's Programs

In contrast to their colleagues in the county and municipal libraries, parks and recreation departments are not doing badly in the face of shrinking federal, state, and local resources. While 40 percent of the communities that reduced services due to federal aid reported cutbacks in parks and recreation services, a larger number than in the case of libraries; the magnitude of those cuts has not been as severe and local resources have often been used to off-set reductions. Thus, city and county parks seem to have suffered some indirect penalties from budget cuts, but they have been advantaged by the fact that they were principally funded from local revenues and enjoyed strong local political support.

An excellent illustration of the changing fortunes of parks and recreation programs is provided by the City and County of Camden. Spending for parks and recreation declined steadily in the city until the department was closed and turned over to the County in 1978.[11] Initially, parks programs did not fare much better in the County. Responding to sharp decreases in overall federal and state aid--especially reductions in CETA-funded PSE workers--the county laid-off nearly 50 employees in 1981 and most parks programs were eliminated. However, programs were revived when the voters approved a referendum by a two to one margin granting between ½ and 3/4 of a mill from the property tax towards the park program. This new dedicated revenue source brought another $600,000 to the department's $3 million budget; almost all programs have been restored and new program offerings are anticipated.

Less positive stories are told by other parks and recreation directors, but few point to drastic cutbacks. Old Bridge Township illustrates some of the problems in smaller New Jersey communities. Due to constraints imposed by the state's expenditure limitation law, the township cannot increase overall spending to meet demands for parks and recreation services and other governmental functions. In order to pay for increased costs in other services, such as police and fire protection, the parks program was cut by 18 percent this fiscal year. In response, the department reduced some playground programs for children and special education programs. Other programs that should have expanded to meet the township's growing population were also held at current levels. However, some parks and recreation directors experiencing declines indicate that lost services can be made up with the help of volunteers.

The reductions in parks and recreation programs often have indirect impacts on children. Most county parks and recreation departments do not fund children's programs, but instead supply facilities to religious and other non-profit youth organizations, such as the Boy Scouts, the YMCA and the Girl Scouts. Generally, the counties and municipalities have been able to keep their parks open by defering maintenance and beautification projects. Thus the service is still available though perhaps at a lower quality level.

In general, parks and recreation departments have been more effective at holding onto their level of service than other departments such as social services and public works. Where

they have sustained cuts, these seem to have had only marginal impacts on young people, at least in the short run.

Day-care Services

The day-care story in New Jersey is a complicated one, but generally it illustrates the ability of day-care supporters to maintain services despite substantial reductions in federal support. Though significant reductions in day-care services were threatened in early 1982, these did not materialize due to supplemental spending by the state to make-up the difference. Despite these positive signs, however, the uncertainty surrounding day-care services has created some problems statewide.

Under the federally-supported Social Services Block Grant, created in 1982, New Jersey received $83 million in state fiscal year 1982 funds--a decrease of $14.9 million from the state fiscal 1981 level. Additional cuts of $4.2 million in SSBG funds are anticipated during the current state fiscal year. State policy-makers planned to make-up the loss in SSBG funds by transferring funds from other programs, by cutting administrative staff and by reducing some services. The Governor and the legislature were reluctant to increase state matching support for SSBG services because the state had consistently "overmatched" prior to fiscal year 1982. For example, in the 1981 state fiscal year, state, local, and private sources spent $51.2 million on SSBG services and thus exceeded the 25 percent needed to match the $97.9 million federal grant.

In early 1982, as part of an overall Department staff reduction plan, five state-operated day-care centers were closed, laying off over fifty day-care workers in four cities. Of the 304 children affected by the closing, 254 of them were successfully placed in another center or were due to leave the centers at about the same time they were closed. The remaining 50 children were terminated from the day-care centers and not successfully placed in alternative care. Though the figures on the number of successful placements is fairly high, Department of Human Service Officials pointed out that the transfers were effected by imposing a freeze on new day-care clients at a number of other facilities.

The decision to close state-operated day-care centers was reached in part because their average cost per child was running twice the cost of placing children in private non-profit agencies. Following this same reasoning, Governor Kean's 1983 state budget proposed closing another 9 state-operated day-care centers. It was anticipated that these closings would save the state approximately $3 million and thus help make-up some of the $14.9 million shortfall in SSBG funds. In addition, the Department of Human Services planned to reduce service contracts with private non-profit providers of social services by another $2.1 million. Because roughly one in every four service contract dollars pays for day-care services, these planned cutbacks would also have affected children and their parents.

As the Department prepared final budget reductions, the

100 mm
A5
1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8
3.2
3.6
4.0
4.5
5.0
5.6
ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890
ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890
1.0 mm
1.5 mm
2.0 mm

legislature increased the Department's budget by $2.7 million, directing that $2 million be spent on purchasing day-care and other services and that $.7 million be allocated to County Welfare offices. Additionally, the plan to close more state-operated day-care centers was shelved. The principal forces behind the supplemental appropriation were day-care services advocates. More than any other social service constituency, the supporters of day-care services were able to mobilize their friends in the legislature and obtain special funds during a very tight fiscal year.

Despite the signs that day-care forces were successful, there still have been reductions in support services associated with day-care, such as child nutrition programs and health services. Many day-care administrators feel that the reduction in support services will have a more severe effect on day-care operations in the coming years. Cities such as Newark that provide roughly 25 percent of the non-federally funded day-care money will be under more fiscal pressure than ever before. The City of Paterson, for example, already reduced its contribution to local day-care programs by $400,000 this fiscal year and other cities may follow their example.

Day-care program operators point to several other consequences of shrinking resources. They claim that the quality of supervision has been effected by budget reductions. Moreover, many local and state day-care centers are so crowded that they cannot accept additional children. In several communities this means that

welfare mothers who can obtain work may not be able to stay on the job because they cannot find alternative care that they can afford. Finally, while prime-time hours in day-care centers have been preserved, many pre-school and after-school programs are suffering. These programs, funded in large part by Community Action Agencies, and by local governments, are no longer receiving local and federal support. In the struggle for scarce local resources, these forms of day-care services have lost the battle.

Conclusions

In summary while children's services in New Jersey have not suffered unduly because of federal budget cuts, the combination of depressed revenues, continuing inflation, state aid reductions and federal budget cuts have exerted their impact to the detriment of children.

Library services are squeezed by cuts in state aid and the inability of local governments to make up for the aid cuts and keep up with escalating costs. Many of the activities reduced by the library personnel interviewed in this research were specifically directed at children. Library supporters have not been able to organize to combat the cuts at either state or local levels. When asked about actions the state could take to remedy the fiscal squeeze, library personnel cited cap relaxation and increased state aid. There was very little interest in user fees.

Park and recreation departments were somewhat more successful

than libraries in cushioning the effects of economic difficulties. Cuts were more marginal, volunteers have been enlisted and in, at least one instance, a successful bond issue made up the revenue deficit. These successful attempts at mitigating the cuts reflect greater political support at the local level. Park personnel joined library directors in their support of the concept of relaxing expenditure caps. Park and recreation personnel were also particularly interested in employing existing user fees exclusively for support of this service. At present some of these fees are diverted into general revenues. The inability of parks and recreation to earmark all these funds indicates that their political clout has limits.

Social services were most severely impacted by federal cuts but in the instance of day-care, organized children's advocates were successful in lobbying the state for replacement funds. Clearly the existence of an active support group at the state level was instrumental in preventing much more devasting cuts. Since social services are primarily state supported, in contrast to libraries and parks, it is not surprising that a state-level lobby group existed and became activitated when cuts were first announced. However, the success of this day-care restoration effort was somewhat singular. Children's advocates are not generally powerful in the state. In fact, one of the difficulties in tracking the impact of federal budget cuts on children's services relates to the infancy of efforts to monitor developments in this field.

In the immediate future, the outlook for all the children's services reported on here is clouded. Local governments will feel

the impact of the recession and the federal budget cuts even more deeply this year and next year than they did last year when there were carry-over funds in many program areas and the state was able to cushion at least a small part of the blow. State officials raised sales and income taxes that will enable the state to maintain its current level of services and aid to local governments, but the additional revenues will not make-up for the losses experienced for 1980 to 1982.

While children do not seem to suffer more severely than other groups, they will certainly take their share of the reductions to come. To date they have not manifested the political power needed to exempt them or soften the blow. In contrast to senior citizens at the local level--who were able to garner some local resources for program cutbacks of the federal government--and education groups at the state level--who successfully mounted a campaign to substantially increase state aid to local educators--supporters of out-of-school services have only achieved one notable success, that is the day-care restoration. Even that one success may work against them in the future as rivals for the ever-scarcer state funds will claim that day-care had its turn in 1982. As providers have by now exhausted marginal areas to cut, future reductions will certainly impact the quality of services and bear careful watching by child advocates and others interested in children's time out-of-school.

APPENDIX A: Localities Selected and Interviews Conducted

Interviews were conducted with officials in jurisdictions which reported reductions in all three services examined: parks and recreation, libraries and social services. These jurisdictions were Newark City, Camden County, Old Bridge Township, North Bergen and Middlesex County. So that we would have a balanced sample of cities and counties, we added Union County which reported cuts in social services and incorporates jurisdictions cutting multiple services.

Newark, Old Bridge and North Bergen are municipalities in northern and central New Jersey. Newark is the largest city in the state and the most fiscally stressed. It has one of the highest tax rates of any municipality, a very high per capita amount going to debt services and a relatively low ratio of tax collections to levies. Old Bridge Township and North Bergen are relatively large (in the top 5 percent of municipalities in terms of population). North Bergen is smaller but has a larger budget than Old Bridge, a slightly higher tax rate and a slightly healthier tax base in terms of assessed valuation. North Bergen acts more like a central city, spending 100 times what Old Bridge spends for fire protection. It has a per capita net debt double the average in its county and a relatively high percentage of uncollected taxes. Old Bridge has relatively low per capita municipal expenditures, way below average for its county. Middlesex, Union and Camden Counties are all relatively large. All contain large cities. Union is the wealthiest in terms of per capita taxable valuation. Middlesex follows and Camden, the only one of the six jurisdictions in southern New

Jersey,is third. All have above average debt as a percent of valuation.

In each jurisdiction we spoke to the Commissioner or a delegate from the Parks Department, the Library and the Department of Social Services, and others they suggested. Seventeen individuals from the six localities were interviewed. In addition we spoke to six state-level individuals working in the Department of Human Services or the State Library. Finally we interviewed two representatives of children's advocacy organizations.

FOOTNOTES

1. Advisory Commission on Intergovernmental Relations, in Congressional Quarterly, Inc. Budgeting for America (Washington, D.C.), 1982, p. 105.

2. Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism (Washington, D.C.: U.S. Government Printing Office, 1981), p. 9.

3. The research project was supported by Rutgers University and the Eagleton Institute of Politics' Center for State Politics and Public Policy. The research was designed and conducted by faculty members and graduate students at Rutgers University, with advice from the Legislature's Division of Budget and Program Review. The project was directed by Carl Van Horn of Eagleton and Henry Raimondo, of the Economics Department of Rutgers. The graduate students listed below were enrolled in the political science department's program in Public Policy and Politics. We wish to express our appreciation to the people we talked to for giving us their time and information. We are also grateful to the staff of the Division of Budget and Program Review for their splendid cooperation. We would especially like to acknowledge the contribution of Gerald Silliphant, the Director of the Division, and the Division's Assistant Director, Stephen Fritsky.

   The Eagleton Project Members are Carl Van Horn, Director; Henry Raimondo, Associate Director; and Graduate Students: Charles Attal; Chris Berzinski; Lawrence Buhler; Laurie Carroll Thomas Ciccarone; Gregg Edwards; Kevin Gallagher; Betsy Garlatt.

3. (continued)

Robert Green; Simone Hoffman; Mark Johnson; Jayne LaRocca; Lisa Lenz; Jean McGervey; Peggy McNutt; David Nuse; Nancy Palmer; Mary Lynne Shickich; Stanley Slachetka; David Westburg; and John Zeglarski.

Although the county and municipal fiscal year officially begins in January, local officials routinely complete their annual budgets by April 1.

4. Bureau of the Census, Characteristics of the Population, Vol. I, Part A-32. U.S. Department of Commerce (Washington, D.C.: U.S. Government Printing Office, 1982).

5. New Jersey Commission on Children's Services, A Call to Action: Linking Policy With Need.(Trenton, NJ: New Jersey Commission on Children's Services, 1982), pp. 32-33.

6. Determinant studies have found these factors influence public service levels. See: James C. Ohls and Terence J. Walls, "Supply and Demand for State Local Services," Review of Economic and Statistics (1982, No. 4), pp. 424-30.

7. Advisory Commission on Intergovernmental Relations. Significant Features of Fiscal Federalism, p. 158-9.

8. The federal and state intergovernmental assistance has not always been distributed to the "worse-off" jurisdictions. See: Henry J. Raimondo, "Municipal Hardship in New Jersey and the Distribution of Intergovernmental Grants, 1961-77," in M. Dutta (editor), Essays in Regional Economics (forthcoming, 1982).

9. Mark D. Menchik, Judith Fernandez, and Michael Caggiano, How Fiscal Restraint Affects Spending and Services in Cities. (Santa Monica, CA: The Rand Corporation, 1982), pp. 9-10.

10. Eugene J. Schneider, "Impact of the CAP: A Survey Report," New Jersey Municipalities (January 1982), pp. 12-13.

11. See the Children's Rights Group, The 1979-80 State Budget and Children's Services in California. (San Francisco: Children's Rights Group, 1979) and the Children's Defense Fund, A Children's Defense Budget: An Anlaysis of the President's Budget and Children (Washington, D.C.: Children's Defense Fund, 1982).

Children in a Fiscally Distressed Environment: The Case of Michigan

By

Jacques Boulet
University of Michigan

(Follows under separate cover)

Michigan: Child-Care in a Fiscally Stressed Environment

This paper examines how Michigan's depressed economy, retrenching public finances and attendant effects on local government have changed the process of providing children's services, and the nature of the serivces themselves. We will focus on services designed for early adolescents, although our analysis will occasionally reference a broader range of activities.

The Michigan economy is the setting against which we will examine these programs. A suggestive summary of how bad the State's economy and its fiscal environment really is, as former Governor Milliken noted last year (Milliken, March 10, 1982:1):

> "We are tonight in the midst of the second of two back-to-back national recessions. They have left depression conditions in Michigan.
>
> The effects of the recession have included slumping auto sales that last month fell to the lowest level in 32 years, record high unemployment and welfare cases, record high interest rates which have increased state costs and jeopardized our economic recovery efforts, declining retail sales and other factors that have resulted in a sharp drop in anticipated revenue, and federal actions that have meant massive cuts in federal funds for Michigan."

Despite significant belt-tightening measures, the paralyzing effects of the crisis in Michigan's industrial mono-culture--the auto industry, coupled with reductions in federal support to state and local government, seriously eroded Michigan's capacity to maintain programs and services. An early casualty was children's and social services, which were seriously under-

mined by the condition of the state's finances. Most directly affected were several traditionally vulnerable groups--children, welfare recipients, minorities, female headed households and the "new" poor--those displaced from jobs in the declining industrial sector.

This chapter explores the ways in which the current fiscal climate in Michigan has affected a variety of services directed at children:

- services provided by school systems: e.g. summer programs, camping, sports and fine arts, etc.;
- public libraries;
- leisure and recreational services, including parks, playgrounds, sports facilities;
- recreational and educational services, including arts programs, organized activities in "membership" organizations or in class-like settings;
- finally, "regular" day-care as offered by public and private providers, either on an individual or on a group basis.

Although this is an eclectic set of services, evidence of their importance to children and families is established (the Children's Rights Group (in particular, 1979), Levine (1978) Rubin and Medrich (1979) and Medrich et al. (1982), Zigler and Gordon 1982).

We will examine dqaa on both the demand and the provision of these services. On the provision side we will explore general fiscal trends in the state affecting these services as well as specific factors affecting the budgets and level of services of these particular agencies. On the demand side

available data on trends in use will be examined, and we will also explore the gaps that have emerged between service levels today and patterns of use typical in the past.

The State's Fiscal Climate

To place this chapter in context, we must begin by exploring the fiscal conditions that are affecting the state's capacity to provide children's services and commit funds to the agencies so authorized.

The Michigan economy has been in recession since mid-1979, except for a brief period in 1981; it is the worst economic downturn in this State since the Great Depression. The main reasons for this downturn have been dependency of the State on the auto industry; and the more than average impact of the federal fiscal crisis and resulting budget cuts on Michigan.

At its peak, approximately 365,000 state residents were directly or indirectly dependent on the automotive industry: this constitutes 30% of the State's manufacturing employment. In a one year period, October 1980-81, domestic auto sales declined by 26.7%. Auto production within the same period was down 20.7%, leading to 90,000 to 120,000 indefinite layoffs. (Data are compiled from Michigan Department Budgets--see Bibliography). As a result, Michigan unemployment was as high as 17.2%, or 772,000 people in November, 1982.

The regional differences within the state are significant: 4 areas fluctuate around 10% joblessness, whereas others, par-

ticularly those dependent on manufacturing, remain in the upper teens and over 20% unemployment.

The impact of unemployment on different groups of the population had varied widely: some regions post an unemployment rate amongst Blacks between 30% and 50%. Black adolescents are particularly hit: over 70% of 16-19 year-old Blacks are unemployed in Pontiac and other parts of Metropolitan Detroit as well as in Flint.

The high costs of borrowing money affected not only the auto industry: only 136 housing permits were issued for the entire state in January, 1982; this was 61.4% off from January, 1981, marking a steady decline from January, 1978 onward (yearly figures include: 31,644 permits issued in 1979; 23,328 in 1980, and finally 9,890 in 1981).

The greater than average impact of inflation in Michigan--however abated it has been in recent months--diminished significantly both buying power and discretionary incomes of consumers. Food and energy costs were the main factors behind inflation; together with high interest rates, they prevented spending of the discretionary dollar, vital for economic activity, let alone recovery.

Finally, in addition to the previous factors, a series of straight salary or wage reductions occurred as a result of concessions by the unions over the last two years. This further weakened the potential for recovery.

Michigan in the Federal Context: Federal Fund Imbalance

Historically, Michigan has received far less funds from the Federal Government than it has contributed in terms of collected taxes. The negative federal balance of payments has had a severe impact on the state. The Spending/Tax ratio for Michigan fluctuates between .65 and .70, ranking 49th or 50th among all states. Michigan's tax dollar outflow in 1980 was $23.7 billion (among the five highest). Federal assistance in 1980, on the contrary, only amounted to 15.4 billion, accounting for a $7 billion "loss". Some of the reasons for this disparity are summarized below:

a. Matching formulas

These are mostly based on per capital personal income and do not take into account unemployment, regional cost of living differences, relative tax burden, or relative welfare burden. Hence, Michigan receives only the minimum 50% federal match; most of the sun-belt receives 60%.

b. Defense spending

The Northeast-Midwest Institute (1981) estimates that 80% of domestic defense spending goes to the South and the West (Anton, 1982).

c. New federalism

Michigan's State Budget has been cut by $50 million due to the Block Grants policy-changes alone. This ignores other cuts like tax-reductions and other supply-side strategies.

d. Indirect losses

These are losses which occurred because of federal cuts without affecting Michigan's State Budget. The 1982 losses can be summarized as follows:

- $123 million in student loans
- $213 million in CETA
- $150 million Trade Readjustment Act Benefits (TRA)
- $240 million Housing Assistance
- $ 58 million Urban, Economic Community Development Grants

It is estimated that Federal Funding losses will total over $3.2 billion for the two year period (1982, 1983).

FY '82 total cuts	$1.116 billion
FY '83 continued from '82	$1.125 billion
New '83 reductions	$ .845 billion
Total	$3.211 billion

Because of the absence of a significant redistributive mechanism on the state level as well, and given the overall condition of Michigan's economy, the impact of the losses on local economies will be very substantial, in turn reinforcing the downward trend.

The convergence of the losses in state and federal revenues has had a devastating impact on the State budget, which will be described in the following section.

The State Budget: Continued Decline and Emergency Measures

The development in Michigan's Unrestricted (GF-GP) Revenue over the last years is summarized in Table 1.

[Table 1 here]

The 1982 budget process describes the general situation, and the interplay of federal-state fiscal conditions.

The initial 1982 budget proposal, introduced in spring 1981 amounted to $4,925 billion. Predictions, supported by the President's economic recovery plan indicated that the declining

TABLE 1

State of Michigan, Unrestricted Revenue

	1978	1979	1980	1981	1982	1983*
Amount (mill)	3,863.5	4,314.2	4,456.2	4,343.2	4,270.0	4,600
% Change	-	11.7	3.3	(2.5)	(1.7)	(?)
Real Change	-	6.4	(4.8)	(10.2)	(?)	(?)

*Projected

[following page 6]

situation was soon to turn around. Unfortunately, only three weeks into the fiscal year, in October 1981, an Executive Order by the Governor reduced the projected revenue by $270 million. In December a new order was issued, directing every Department to "lapse" 4% of their budgets, across-the-board; in March 1982, the Governor appeared on TV to announce a further downturn: he offered a "rescue plan" with further cuts of $450 million, wage concessions by State employees and a 1% increase in personal income tax, effective until the end of the fiscal year, September 1982. The total of the FY 1982 reductions was 627 million dollars. But things continued to deteriorate and in order to meet the constitutional requirement of a balanced budget (which is essential for borrowing to meet cash-flow shortages in the fall each year), new cuts were proposed, this time mainly directed toward the Department of Education. The Legislature rejected the Governor's proposal, and instead worked out some shifting strategies, cutting Education during this fiscal year (ending on September 1), but restoring the funds by June 30, 1983, the last day of the schools' fiscal year.

The cash-flow shortage deserves some mention, because it adds to the problem; the so-called "Moody-rating" sets the interest rates for State-borrowed money according to the overall economic and fiscal situation of the individual states, making the interest rates higher by less favorable ratings. While Michigan was rated M-1 in 1980, it was able to borrow the needed $500 million at an interest cost of $35 million. In 1981, after

economic deterioration, M-2 was applied, at a cost, for the same amount of borrowed money of $70 million. The 1982 rating was set at M-3, projecting interest costs of over 120 million dollars, and threatening again the precarious budgetary balance. Without the $500 million, the State would have been unable to open schools, colleges, or universities until after January 1983. A deal with a Japanese Bankers Consortium was negotiated, in which the group agreed, for a price of $5.6 million, to underwrite the contract with its own M-1 rating.

In the meanwhile, 12,000 State employees have been laid-off since the beginning of the recession; increased cigarette taxes are projected; wage and salary concessions have been asked even as the demand for public services is increasing in a whole array of areas.

The Budget for Human Services: Social Services, Education and Recreation

For the state, budget reductions in FY 1981 and 1982, as compared with the 1980 expenditures, totaled over $400 million. The following overview indicates the relative importance of the cuts for different sectors.

[Table 2 here]

The total Michigan Department of Social Services (MDSS) budget for FY 1982 was projected at $3,424 millions, specified as follows:

TABLE 2

Summary of Department of Social Services Reductions

		FY 1981-82 reductions			
Category of Savings	FY 1981 reductions	P.A. 35	E.O. 1981-9	E.O. 1982-3 proposed	FY 1982 Reductions
Administration	15,989,000	2,886,000	18,720,000	9,989,000	31,595,000
Social Services	33,965,000	4,493,000	34,142,000	300,000	38,935,000
Direct Support	55,090,000	38,548,000	76,925,000	23,500,000	138,973,000
Medicaid	31,920,000	31,825,000	21,215,000	3,100,000	56,140,000
Total	137,964,000				265,642,000

Source: Michigan DSS, Office of Planning, Budget Evaluation, April 6, 1982.

E.O. = Executive Order

[following page 8]

Direct Support Grants (AFDC, GA, etc.)	1,396 million	= 41%
Medical Services Grants	1,311 million	= 38%
Program Administration	412 million	= 12%
Department Administration	176 million	= 5%
Social Services Grants (incl. Day Care)	129 million	= 4%

Contrary to predictions, welfare caseloads did not decrease, placing a staggering burden on the agency.

[Table 3 here]

After a slight decline in spring-summer of 1982, largely due to changes in standards and eligibility, the September 1982 rates were up again, by 1,000 for AFDC And by 3,000 for FA. Moreover, AFDC-U (Aid to the Unemployed) is likely to grow even more rapidly as an increasing number of laid-off workers exhaust their Extended Unemployment Benefits.

As a consequence of these budgetary reduction, the Day Care program of the Department of Social Services underwent major changes. Day Care benefits were provided mostly to welfare recipients who were involved in training programs, and to those who were working in low-paying or part-time jobs. It was considered to be part of the work-incentive package. Federally induced eligibility changes eliminated 25% of the families (approximately 2,500) receiving day care assistance. Michigan lost 30 million Title XX dollars which previously funded day-care; consequently, the Department had to transfer those payments to Title IV-a, where day-care is considered an "expense of employment" or a "special need," and families are expected to pay for day-care services out of their expanded grant.

Overall, the loss of funds for day care alone reached to

TABLE 3

Evolution of Caseloads in Selected Major Program Areas

Program Area	77-78	78-79	%inc	79-80	%inc	80-81	%inc	81-82	%inc
Avg. Mo. Caseload									
AFDC	194.7	200.1	2.8	219.8	9.9	241.2	9.7	233.4	(3.2)
GA	41.6	48.3	16.1	77.1	59.6	107.7	39.7	111.9	3.9
FS	198.8	233.5	17.5	320.2	37.1	385.7	20.5	387.7	0.1

Source: MDSS, April 6, 1982.

AFDC = Aid to Families with Dependent Children
GA = General Assistance
FS = Food Stamps
All caseload numbers are in thousands and are "Average Monthly" for the FY's.
1982 figures calculated through 1/31/82.

[following page 9]

$9.5 million or 45% of the previous year's amount. As mentioned above, the consolidation of all social services programs authorized under Title XX of the Social Security Act into one Block Grant was accompanied by a 20% or $30 million cut; the proposal for FY 1983 for that Block Grant calls for an additional reduction of 18%, or $18.7 million over two years. This implies a virtual shift of funding responsibilities to the State, which will have to make its own decisions concerning priorities in programs and services.

Other major cuts affecting (extended) day care services include a 15% cut for 5 community centers and a 50% reduction in "Donated Funds," both part of the Title XX Block Grant. The latter funds supported a whole array of small community programs, including recreation and day care, with matching monies. The impact of those changes on county and local agencies and on recipients will be discussed in subsequent sections of this paper.

The Department of Education

The level of State funding for education dropped from FY 1980 to FY 1981 by more than $223 million; this constitutes a 30% cut in all categorical programs, including school breakfast and lunch programs, vocational programs, special and bilingual education, and alternative programs.

Another important reduction involved State assistance to districts with declining enrollment, or with capital outlay needs, the latter being a tax-relief program. The impact of

initially planned federal budget cuts could have been devastating; Michigan would have lost around $40 million, mainly in the lunch programs, but equally in the Title I and Special Education programs, the first assisting low-income educationally disadvantaged children, and the latter aimed at handicapped children. The hardest hit school districts would have been the larger urban areas. Strong opposition restored much of the planned reductions, so that the final loss for Michigan amounted to $3 million.

Yearly State funding for local public libraries did not decline significantly over the last three years: it fluctuated around $7.7 million. But this mean an effective loss in terms of "purchasing power" on the part of the recipient libraries. The consolidation of public library and school-funding, equally led to a de facto cut in the former's disposable funds by 20% due to the reduction in state aid for local school districts. The State Library itself, an agency providing funds and services for local libraries as well as for several government functions, had to reduce its staff by 40 (30-40% of total staff), making communication with the field minimal.

The impact of reductions in the Child Care Food Program is comparable to the reductions in the School Lunch Programs; total free meals were down by approximately 500,000 in June, 1982 (as compared with June, 1981); a steady monthly decline can be observed since mid 1981.

The Department of Natural Resources

This department was one of the hardest hit in the State, affected severely by the convergence of governmental action and economic recession during the past years. Approximately 50% of State funds have been cut over the last two years. The following overview details some of the main reductions within the Department's Recreation program, which is of most interest here.

[Table 4 here]

State parks have lost 25% of their permanent work force. The number of beaches with lifeguards diminished from 37 to 9. Six outdoor centers have been closed. Closing of four out of eight interpretive facilities is planned, and only two of the remaining four will have staff. The Recreation Services Division, which gives technical and planning assistance to state and local agencies, had 10 full-time employees and a budget of $430,000 in 1981-82. The series of budget cuts and executive orders have reduced the budget by $126,500, and cost four staff. The division is to be closed completely in 1983.

[Table 5 here]

In the forest recreation program, 40 state forest campgrounds have been closed and the cross-country ski program has been eliminated. The Department is no longer able to maintain hiking trails.

The top priority within the Department remains "Public Health and Safety" and "Hazardous Waste Disposal." Those pro-

TABLES 4 & 5

Michigan Department of Natural Resources

TABLE 4

Parks

	1979-80	1982-83	Diff.
Total	$15,665,900	$15,350,900	$(315,000)
General Fund	7,258,900	3,550,900	(3,708,000)
Positions	665.9	524.8	(141.1)

TABLE 5

Forest Recreation

	1979-80	1982-83	Diff.
Total	1,632,600	740,900	(892,200)
General Funds	1,454,700	120,400	(1,334,300)
Positions	64.0	21.2	(42.8)

[following page 12]

grams have not been affected, again suggesting that human services and social services have suffered the greatest service reductions.

The "Taxpayers' Revolt" and the Condition of Michigan's State Government

At this point, some remarks must be made regarding two trends evident in Michigan, as in the rest of the nation: the so-called taxpayer's revolt, and the call for private organizations to take over the role of the state in charity, education, and recreation on other programs.

Michigan's TaxPayers' Revolt

As in many other states, Michigan's "new middle class," particularly better skilled workers, have been the primary constituency of the taxpayers' revolt.

Basically, the movement for tax reduction started in the early seventies, when the first signs of a crisis in Michigan's economy became apparent. While the 1971-72 recession saw a series of state budget reductions and tax increases, the strong recovery of 1973 led to a spending increase of 13%, and the year ended with a 200 million dollar state surplus. This fueled the first attempts to cut taxes, both for business and individuals. Public concern over the size of the surplus forced the administration to use those $200 million to balance the 1974

budget, and when a series of tax cuts took effect in 1975, the state budget had to be cut by over $109 million to achieve the "balanced budget" required by the Michigan Constitution. 1976 foreshadowed the situation which emerged from years later:

> "The previous tax cuts all remained in effect. Spending was cut $q23.7 million by executive order. Borrowing added $68 million. Extending the fiscal year to September 30 added an estimated $207 million. A one-time cash-flow boost from the adoption of the Single Business Tax contributed $240 million. Accruing utility property tax collections added $60 million. An extraordinary DSS (Department of Social Services) lapse saved $55.3 million, and utilizing teachers' pension fund contingency reserves added $34.6 million.
>
> All told, budget reductions totaled $179.0 million, and revenue increased through borrowing, accrual, or cash-flow added up to $609.6 million, ending the year with a $29 million book surplus." (House Taxation Committee, 3/18/83).

To avoid this kind of crisis management, the Budget Stabilization Fund (BSF) or "rainy day" fund was created by P.A. 76 of 1977. It established a formula, tied to real (inflation adjusted) economic growth, that required pay-ins to the fund in good economic years and allowed pay-outs in bad years. The rainy day fund thus not only provides a "savings account" for bad years, but it also, and most significantly, limits the rate of growth of state government: a real growth in Michigan Personal Income, greather than 2% causes a pay-in to the fund and would effectively limit spending increases for subsequent fiscal years.

Despite the enactment of that law, a petition drive in June, 1978 sought to limit the increases in government expendi-

tures to the rate of increase of the Consumer Price Index. It also proposed to limit the State-assessed property valuation and to prevent the State from reducing its proportion of support for local programs (the matching formulas). The State would equally have to fully fund any new program it requires or intends to expand on the local level.

At the 1978 general election, Proposal E (the "Headlee Amendment" to the Michigan Constitution) succeeded by a vote of 52.5% to 47.5%. It took effect in December 1978, except for the State Spending Limitation, which applied from the beginning of FY 1980, in October 1979.

Some of the provisions of the Headlee Amendment are summarized below:

- The Tax and Spending limitation for the state is set at 10.01% of total personal income during the previous calendar year. It thus fixes--in a lagged relationship--the growth of state expenditure. Given economic conditions in the state, however, the effective proportion of state spending did not exceed an estimated 8.5% of total personal income for FY 1982, or 7.8% for FY 1983. Ironically, the limit would have allowed the state to collect $2.2 billion more in taxes for FY 1983 than is actually planned.

- The Local Share/Section 30 internal balance requirement is a feature of the Amendment which, although difficult to understand, has important consequences. The House Taxation Committee's (1983) report describes this feature as follows:

"Even those analysts who correctly noted its potential effects in 1978 failed to realize how rapidly they would begin to impact on the state budget process.

Section 30 also took Fiscal 1979 as its base year and mandated that the share of total state spending (less federal) going to local governments that year become a fixed slice of the pie. That 41.6% ratio meant that the FY 80, 81, 82, 83, etc., budgets had to allocate 41.6% of their total spending to local governments as a whole.

The Section 30 requirement, like other features of the "Headlee" amendment, excludes federal funds. The following example approximates the conditions that will exist in Fiscal 1983 following supplementals, the executive order, and the tax increase:

TOTAL STATE SPENDING	$7,782.3 million
Section 30 Factor	x .4161
REQUIRED LOCAL SPENDING	3,238.2
Estimated actual local spending	3,112.9

Potenital FY 83 Sec. 30 shortfall ($125.3) million

If this estimated Sec. 30 shortfall is realized, by statute it becomes the first responsibility of the Fiscal 1984 budget.

The general impact of state and federal budget reductions and the related taxpayers' revolt have seriously undermined Michigan's capacity to support all but the most basic services. The overall situation is reviewed on the following page. We turn now to the consequences of these fiscal conditions on various children's services in the state.

The Effects of the Fiscal Crisis on Local Service Delivery

With this discussion of Michigan's budget as background, we turn now to the various programs and services which represent our analytical focus--those provided by public schools;

CHART 1 [Source:

STATE BUDGET ADJUSTMENTS

State	*Budget Events*	*Tax Policies*	*Spending Priorities*	*Special Issues*
Michigan	Three executive orders cut $559 million (more than 12%) from FY 1982 budget. Emergency tax and revenue increases added $339 million to balance budget. These follow steep FY 1981 cuts. FY 1982 budget imbalance created by $681 million recession-related shortfall in revenues, $344 recession-related increase in social program costs, $90 million in extra interest on short-term borrowing. Before June 1982 temporary income tax increase, FY 82 general fund revenues were below FY 1980 levels. FY 1983 budget shows 3.4% spending increase.	Adopted six-month increase of 1 percentage point in income tax. State has preserved all property tax relief programs.	1. State made decision not to restrict welfare eligibility in face of recession. Added $266 million in unbudgeted costs because of high unemployment rates. 2. Higher education absorbed largest FY 1982 budget reductions, though state has budgeted for restoration in FY 1983. 3. AFDC grant increase for FY 1983 will be deferred. Medicaid cost-containment given emphasis. 4. State reductions in school aid have raised local share of school costs. Special education aid cut more than basic aid. 5. Employee wages renegotiated downward. Mandatory days off.	State is under continuing pressure from referenda initiatives to further reduce property taxes. Fall 1982 initiative proposes 75% reduction in property taxes levied for schools. Headlee amendment requires that aid to local governments not fall below 41.6% of state budget. This has constrained budget adjustments.

[following page 16]

public libraries; leisure and recreational services (including educational and arts programs); and traditional day care. One objective is to understand how the current situation of these services may be affecting the prospects of pre-adolescent and early adolescents, who are traditionally quite dependent upon them for out-of-school activity settings and opportunities.

Here we are principally concerned with political-administrative entities, counties and cities of varying sizes, which provide financial support, services and programs, and which also draw their own revenues or distribute funds from federal or state sources. This level furthermore includes private not-for-profit and for-profit (entrepreneurial) agencies and organizations providing direct services and support to people of a certain geographical area or to certain categories of recipients.

Although these agencies and organizations might be very different in their programs, intentions and purposes, philosophy, size and finances, their <u>societal function</u> is virtually identical--they perform recognized, valued socialization and developmental tasks for younger people.

Their potential for responding to the particular need of recipients is of course very different; many services might be completely out of reach for certain groups of people; others might not "fit" the needs. Hence, however similar their societal function and their general orientation, they must be differentiated in terms of the <u>nature</u> of the needs they respond to (e.g., how "basic" vs. "marginal" they are) and in terms of the

specific population group they are targeted at (e.g., the poor, single-parent families, welfare recipients, working middle-class families, the "well-off", etc.). Further, the sources of support for these programs tends to be broad and eclectic. Even locally derived monies can come from many sources--from different county or city budgets, from state allocations, from millages (local tax levies for schools), from public and non-public grants, and finally--and increasingly so--from user fees and payments.

The Service Area of (After-School) Day Care

The statewide reduction of Day Care funds from $27 million in October 1981 to $15 million as of February 1982 resulted in a significant shift in services utilization patterns: approximately 20% of AFDC-clients were forced to find alternatives or leave the children with neighbors or family members, or alone. Generally, there seems to be a definite trend toward "gentrification" of day care. Across the state child care is becoming a more middle-class phenomenon and the child-care providers, becoming aware of that trend, increasingly "go after" that population. They can expect higher fees and don't have to wait for the State's or the recipient's AFDC-allocation.

In the past, under Title XX, 150 Day Care Service Workers were available statewide to assist clients in finding appropriate day care providers. Since the shift of the AFDC-Employed and Training Day Care Clients to Title IV-A, these positions have

been reduced to just 24 whose current duties consist of licensing control, and they have no more direct service responsibilities. To understand the impact of this change, the Community Coordinated Child Care (4C) offices of seven Michigan counties (Wayne, Washtenaw, Genessee, Ottawa, Oakland, Kent, and the Grand Traverse Area, accounting for far over half of the population of the state) conducted questionnaire interviews with Day Care Providers in their respective regions. The major findings of that study are summarized as follows. From October 1981 through February 1982, 2,296 children, funded by the Michigan Department of Social Services were in Day Care Centers or Day Care Homes. During that period, 490 DSS-funded children stopped receiving care. As reasons for the withdrawals, 125 parents mentioned the fact of becoming ineligible for AFDC; 87 changed their eligibility-category, and 38 parents were laid off or quit work (9 from the latter category indicated that they had to quit work because of the change in child care reimbursement, forcing them to pay the difference between the DSS-rate and the provider-rate).

From those who changed their day care arrangements, 59 reported to have their children in unregulated care, 15 were cared for by siblings and 14 were home alone; 43 no longer needed care and 19 entered school. Finally, 26 children changed to another licensed center or home, 8 reported to have a babysitter and 7 stayed in the same setting while not being funded by DSS any longer. 299 children (over 60%) of those

who were eliminated from DSS-funding and dropped from day care could not be found. Some statements by surveyed providers are indicative of the shift in emphasis occurring in the field:

- Many providers will simply not accept DSS-funded children because of the paperwork and the delay between service and payment; they are not directly paid by DSS but by the parents, and fear exists that recipients would spend the money for other necessities. Moreover, there is no reimbursement for absence causing an imbalance in the provider's cost structure.
- Several providers indicated that they could not "break even" with costs increasing and reimbursements decreasing; several providers may give up Home Care becaues of the financial pressure.

A closer look at developments in one county illustrates the decline in resources. It also offers some insight into how local program managers formerly succeeded in redistributing available funds within their several programs so as to alleviate inequities and hardships for certain groups of clients. This possibility now is reduced because of the convergence of cuts in basic grants, loss of matching monies and loss of "infrastructural" aid. Grand Rapids, a city of about 500,000 in Kent County in Western Michigan has seen five public Day Care programs severely reduced or eliminated over the last two years. Their scope as well as the reasons for their elimination are characteristic of the current transition.

Since 1975, Grand Rapids has offered a pre-school day care program for families not qualifying for public aid, but lacking resources to pay for private care. The program enrolled 60 children and served 400 over the six years of its existence. A fee was applied ($2.50 per afternoon for 3 afternoons per week, or $17 per month), and no scholarships were available (which is why there was a low rate of AFDC-recipients' participation).

No state or federal monies were involved, and the only public resources used were empty school-buildings and utilities, both part of the city's school budget. The program was cut in 1981 after the statewide reduction in aid for local schools which could not be absorbed out of other local funds.

Another program, the "Clubhouse" was a "true" after-school day care program. It too began in 1975 and was intended to serve as a model for other activities. The program was directed at 6-12 year-olds and was offered in two empty elementary school buildings. Transportation was provided by school bus. The program was semi-structured; children had "quiet time," activities and counseling, and, if needed, help with homework. It essentially was a "compensatory" program, offering a "home" situation to children with working parents.

The program also ran in summer, from 7 a.m. to 6 p.m. Costs were minimal: for 15 hours per week (full-time), the fee was $12; or $1 per hour for part-time enrollment. The program was not self-supporting.

The Clubhouse received DSS-referrals and a large number of participants were AFDC-children, particularly from single-parent families. While the costs for low-income families were entirely subsidized, no other state or federal money was given to the program. The parents had to pay for the service after the DSS-policy changes, which consequently led to a decline in enrollment. In 1980, after initial support by the school system, the transportation costs could not be supported and the service had to be eliminated.

Finally, the Grand Rapids Child Care Program involved 1,000 children whose parents were involved in educational programs (mainly Community Education Parents, finishing high school). Services were offered for those from birth to 6 years of age. The program ran from 8 a.m. to 10 p.m., concurrently in 26 sites, with an average of 15 to 30 children each.

Three major sites provided special services; one for children of refugees (serving approximately 50-80 children per day); one for Hispanic children, concentrating on bilingual education (approximately 25 children); and one serving poor inner-city families, with 25-30 children.

After reductions in several budgets (Title XX, bilingual education, etc.), the program continues to run in a more limited form and without formal licensing. It is indicative of a trend throughout the state--accelerated withdrawal of public funds from subsidiary responsibility for a whole array of discretionary programs intended to equalize opportunities for low-income

families. At the same time, however, private fee-for-service homes or centers are thriving in metropolitan Grand Rapids, especially those serving the better-off. Many not-for-profit centers equally attempt to "diversify" their funding and services, so as to become more independent from governmental money as well as from the service population getting government benefits.

To conclude this section a brief summary of some findings from a 1981 Report by the "Task Force on Family Function and Support" by the United Community Services (UCS) of Metropolitan Detroit might be helpful. UCS is a coordinating and research unit for social agencies serving the "Tricounty Area," including Wayne, Macomb, and Oakland counties, together accounting for about 43% of Michigan's total population; it includes the City of Detroit as well as most of its suburban municipalities. Regarding Day Care for children from 2 1/2 to 6 years old, the report states:

> "Children in this age range sometimes experience a combination of different types of care rather than one single type of care. For example, a parent might use a Family Day Care Home, a babysitter or day care aide in combination with a pre-school program or a day-care center. As this range encompasses the kindergarten child, the combination of school and day-care center or day care home is frequent. Parents who are absent for a full work day use such part-time programs as Headstart, Parent Cooperatives, and Nursery Schools as well as theabove mentioned types of care to and stimulation of a young child's daily experiences."

And further:

> "Center Care for children from 2 1/2 to 6 years of age is more available than for children of any other age. For example, all centers in Detroit, except two part-day centers, serve children 2 1/2 to 6 years of age. In fact, a majority serves only this age group--and the total preschool centers number 217 with half-day programs and 228 with full-day programs. This compares with 55 infants centers and 88 centers which serve "latchkey" (school age) children."

As to the category of 6 - 12 year olds it is mentioned:

> "Parents of children between the ages of 6 and 12, of course, depend on the educational system to care for their children several hours of each day. Before and after-school day care needs are met by a variety of resources which include day care centers, learning centers, recreation programs, and babysitters. Unfortunately, many children in this age range whose parents are out of the home receive no planned supervision upon their return from school. Some parents talk to their children by telephone as a form of supervision. This lack of day care may be due to financial limitations, the unavailability of appropriate resources, or other factors." (p. 46)

Finally, "Youth Care" as an additional area of service is recognized, pointing at the whole array of community recreation programs, cultural programs, sports, job-enhancement and educational programs, which would be needed to serve the needs of the 12-19 year olds. The Task Force believes that

> "These kinds of services for teens have not been adequately developed; and these needs must be addressed for the well-being of our future tri-county population. Much more should be done to help teens prepare themselves for an enjoyable and productive adult life." (p. 47).

It is recommended that UCS "encourage coordinated efforts between community programs, parents, and schools in developing

constructive before and after school programs." Some strategists pursued by UCS staff and volunteers include a campaign to solicit help from employers and from labor. Michigan law already provides tax credits for such employers who would offer child care services for their employees or who would pay for child care expenses of their employees.

Some of the options suggested by child care advocates for the Detroit area were (UCS, 1981:48):

- provide on-site day care facilities (this option seems to gradually become more attractive to employers; several programs are already in place in Greater Detroit and in neighboring counties, e.g., Stride Rite; Wayne County Medical Center--one for patients, one for employees; St. Joseph Mercy Hospital in Ann Arbor; see also: Hiatt, 1982; Friedman, 1982; Churchman, 1983.)
- have a voucher system for employees to purchase their own child care (several employers do this, many through flexible benefit plans).
- allow employee benefits which include flextime, sick-child leave, paternity leave (flextime is offered by such large employers as Aetna, Federal Mogul, Michigan Bell, DSS, GM, Blue Cross/Blue Shield).
- provide business expertise to local programs (i.e., accounting services, tax help, advertising and public relations, management systems, training of child care staff).
- provide parent education resource information.
- purchase spaces from local centers or homes for exclusive use of employees (e.g., the Polaroid Corporation).
- finally, of course, direct contributions to local centers and involvement in political efforts advocating public and/or private provisions for day care.

Many activists and administors believe that this may be the only viable solution to the shortage in extended day-care

provisions: declining public support and the high cost of private, not-subventioned day care make the call for employer intervention not only essential but indeed long overdue. It is increasingly argued that child care ought to be considered part of the cost of labor (see--critically--Baxandall, 1975). Another strategy, developed as a result of the Task Force Report, included the establishment of a "Before and After School Care Committee." After examination of existing programs and staff interviews, it was concluded that "each had experienced some level of resistance to such programs, yet through time and exposure, they became highly successful and gained public support" (UCS, 1982[e]). Partly as a result of these efforts, five school districts in Oakland County offer extended day care programs in school buildings on a fee-for-service basis. Personnel consist mainly of teachers, and most centers are licensed by the Department of Social Services. Fees are between $1 and $1.50 per hour and scholarships are not available.

One other program is offered by a local YMCA; it is located in a school building and is the only one in the area offering sliding fees and scholarships.

Overall, most of the reviewed programs are entirely supported by the families receiving services; thereby excluding many low-income and welfare-families. While the array of (extended) day care provisions hypothetically available to everybody may not have changed, access to them has been dramatically impacted by the fiscal crisis:

> "The possible damage from these changes needs to be monitored in order to make sure that the quality of service to children is not seriously reduced." (UCS, 1982[e]).

Traditional Day Care, and in particular after-school provision is becoming increasingly central to assure not only the reproductive or socialization needs of large segments of the population, but also as a prerequisite for a stable and reliable workforce. Low-income groups and individuals appear to be disproportionally affected by the effects of service reductions: public availability of Day Care services, if not decreasing in general, has become more expensive and hence virtually excludes these constituencies.

Extra-Curricular School Programs

Public schools in Michigan have been very vulnerable because of their extraordinary dependency on the local (property) tax base. As noted before, renewals or increases of tax levies (millages) have to be approved by the local electorate; moreover, fluctuations of assessed property values make it extremely difficult to maintain a long-term balance between revenues and expenditures, particularly when inflation, salary increases, demographic changes and other costs are factored in.

Some single examples of this impact may illustrate the problem at hand. Pontiac (70,000), almost totally dependent on the auto industry, has a school population of about 20,000; millage increases previously had been approved almost yearly and were

so, without any significant taxpayer resistance. From 1974 to 1977 two millage increases were approved, adding $6.75 per $1000 assessed property value. In 1978, however, the request for another increase of $5.45 was defeated. The district had wanted to increase its FY 1978-79 budget from $38 to $40.3 million. It was forced to return to the voters with another proposal limiting its budget increase to $1.3 million. The teaching staff had to be reduced by 60. The 1981 depression actually threatened to shut down the schools indefinitely. All school libraries had already been closed and there were virtually no more arts or physical education programs. The two local public high schools, each serving more than 2,000 students, were left with two counselors (each lost five). All classes were held between the 8 a.m.-1 p.m. practically in two shifts, and imposing such a tight schedule that all extracurricular activities, except, significantly, the high performance sports program, were eliminated. After a heavy campaign by school and children's advocates, and with promises to tighten the budget still more, the millage was approved with a quite assuring margin, given the circumstances.

Paradoxically, a local private (Catholic) high school was and is thriving: it has to turn away applicants and plans to enlarge its premises. The re-activated public vs. private school controversy and the increasingly critical attitude of middle-class parents towards the public school system (which, of course, can only become worse on account of the current

financial situation) is a "vicious circle." As pointed out before, cuts in the state's education budget prevented it from providing the local school districts with "emergency" bail out monies which then led to the kind of sequence of events depicted in Pontiac.

Research in Oakland County (1981) in nine high schools clearly indicates the differences among school districts along economic lines as well as the differences across the private-public sector. Oakland County itself is a study in contrasts: the County is among the 10 wealthiest in the nation, yet its largest town, Pontiac, is among the 10 poorest cities in the nation. Most of the private high schools had an extensive extracurricular program, and many administrators and counselors interviewed expressed some concern that attention to those parts of the overall curriculum threatens to divert from "basics".

Two public high schools from a wealthy town (Birmingham) were in many respects even better than the private ones: they could enlist much more community involvement and considered "extension services" as part of their role of being a "quality" high school. Low-income Madison Heights, by contrast, suffered from a steady erosion in services and was reaching a point where more fundamental cuts in programs were contemplated. Finally, Avondale, needing millage approval from three different municipalities has been able to maintain its relatively high level of extracurricular activities because of the fact that some wealthy communities belong to the district and have con-

sistently supported increases in the tax revenue. This is in part a result of the fact that these small cities and townships have few alternative public resources, giving school facilities high visibility and, hence, diminishing resistance against millage increase.

The Education Office of the State Democratic Party summarized the statewide school crisis as follows: (Hollister, 1982)

- The Alpena school district had closed for several weeks, marking the first school closing for fiscal reasons since the Great Depression;
- The Taylor and Pontiac districts were about to close; vigorous lobbying and the promise of further cuts could ultimately avoid closing in beginning '82;
- Standards for Special Education for the Handicapped had been reduced; permissible age range, permissible teacher load, etc., were increased;
- Termination of state funding for School Social Workers, Psychologists and Aides in Special Education programs not specifically required by law resulted in many lay-offs (estimates fluctuate between 2,500 and 3,500) in local districts being unable to assume the entire financial burden for those positions;
- Many School Libraries had been closed entirely; Librarians were forced to reduce their workloads or they were entirely terminated, leaving the maintenance of the system to volunteers, either teachers or parents;

- Short-term indebtedness of Michigan school districts increased in one year (1981) from $600 to $800 million. Interest rates on school bonds, in anticipation of the tax collection and state aid, still ran between 15 and 18% during most of the year; buyers are increasingly skeptical to invest in school bonds;
- Lunch programs in many school districts have been totally eliminated. The overall increase in school lunch prices averaged between 15 and 25 cents;
- Reductions in the arts and sports/physical education programs had to be made in two-thirds of the Michigan school districts; in one-third, one of them had to be eliminated and about 20% had to cut both programs.

Ultimately, the crisis also reached rather wealthy communities. Ann Arbor, considered to have one of the most sophisticated school systems in the state, had to confront a fiscal crisis of its own.

> "Their (the Board members) choices were precisely two, and both of them, it turned out, were equally unpalatable to everyone: collect more tax monies or spend less." (Ann Arbor News, December 16, p. A1-A2).

The projected deficit for FY 1983-84 is about $2.3 million; to cover this deficit an increase of the property tax rate of 1.32 mills would be needed. Such increases would cost a homeowner with a $70,000 home $46.20 in additional taxes for next year. The actual millage amounts to 33.21 mills, which paradoxically has meant a <u>reduction</u> of 20% from the 40.62 mills

applied during FY 1977-78. The inflationary increase in property valuations over the last four years, largely outpacing the growth of the city's school budget, led to a downward adjustment of the millage rate. (The district could afford to not collect a potential $12,640,000 in taxes because of the millage reductions!).

While the Ann Arbor population has traditionally supported high quality cultural arts and recreational programs, the current situation as well as the declining student population could very well lead to more austerity, even in this preponderantly middle- and upper-class university community.

These examples, in widely varying contexts shows the differential impact of the economic and fiscal crisis. While wealthy communities can continue offering high-quality education and an attractive and stimulating mixture of after-school programs, in particular in the domains of arts and sports, poor and low-income districts can barely maintain a basic program for their student population.

Public Libraries

Public Libraries have been affected by the same fiscal pressures as the schools, and this has forced reduction in the scope and number of activities provided. Library funds had been consolidated in many communities with public school funding, causing a reduction of state funding of about 20% in 1981. In other districts where library funds are still levied separ-

ately, local libraries have been exposed to the same pressures as the public schools.

Since local resources did not increase in most municipalities many library millages were rejected. Even the proposals themselves were measurably reduced in anticipation of a potential voters' veto. Cuts in library programs, hence, were considered and executed as a first option in a great many local areas--Music-Library Media Centers being among the first targets for elimination or reduction.

At this point no complete shut-downs have occurred. This, however, is a likely step in several municipalities for the near future. The Public Library of Ypsilanti, Ann Arbor's poorer neighboring town, was to stop serving its 50,000 inhabitants by March 1983 unless the proposed millage hike was approved (Ann Arbor News, 1983, 4/3).

The Detroit Public Library's budget for 1977 was $14 million, leaving $1.1 million for the book budget; in FY 82-83, the overall budget stayed the same, but the book portion declined to $900,000. Twenty-nine percent of the staff has been cut over the last four years; two branches and the rare book and film library have been closed, and the bookmobile, serving mainly poorer neighborhoods, has been virtually eliminated. However, library usage has <u>increased</u> in most branches and stayed constant in the others. This has occurred despite severely reduced access due to a "pairing plan" which consolidated branches so that one team of librarians would work two days at one location and three at another (McGuire, 1983).

An additional threat to the fiscal propsects of local libraries in Michigan is a change in interpretation of one aspect of the state constitution. According to the constitution, any money paid as penal fines to local district courts must be transferred to the State's 360 libraries. Until now, the courts had to rely for their own operation on "court costs" imposed on defendants. The total sum of penal fines paid in 1981 within the entire state was about $9.3 million. The judges proposed to remove part of the levied fines to reduce the court's own "indirect" costs. If voted into law, many small and medium sized libraries will be in danger. The Michigan Library Association estimated the potential damages as follows: If 50% of the fines were to be removed from the libraries, 58 of them across the state would be closed; if 90% would be removed, 246 public libraries would have to stop operating. The potential impact of such legislation is revealed by the following table (Michigan State Board of Education, 1982).

[Table 6 here]

This, of course, only tells half of the story. There are important distinctions between "rich" and "poor". Here there are dramatic differences.

[Table 7 here]

The dependence on this volatile source of revenue varies markedly and is obviously related with the general tax base of each community and hence to the general economic standing of its inhabitants.

TABLES 6 & 7

Local Public Library Revenues

TABLE 6

Population of Communities ~~Libraries serving # population~~	# of libs	Tot. income in $	Inc. from penal fines in $	% of total income from penal fines
0-2,999	53	606,393	202,844	33.5
3,000-5,999	89	2,271,745	509,488	22.5
6,000-12,999	102	4,948,465	1,285,708	26.0
13,000-24,999	47	5,724,177	760,677	13.3
25,000-49,999	33	10,462,957	1,195,654	11.4
+ 50,000	38	58,977,609	4,463,910	7.6

TABLE 7

Library	Pop. Group	Tot. Income	Inc. from Penal Fines	% of Tot. Inc. from Penal Fines
Ann Arbor	+ 50,000	1,644,808	118,758	7.2
Dearborn	+ 50,000	2,131,096	47,435	2.2
Ypsilanti	+ 50,000	227,943	20,186	8.9
Pontiac	+ 50,000	247,673	33,187	13.4
Alpena	25,000-49,999	146,668	49,865	34.0
Bloomfield Twsp.	25,000-49,999	916,322	14,208	1.6
Brighton	13,000-24,999	123,468	14,335	11.6
Dexter	13,000-24,999	23,425	12,936	55.2
Springfield	6,000-12,999	41,976	2,160	5.1
Pinckney	6,000-12,999	30,232	24,020	79.5

(Michigan State Board of Education, 1982)

[following page 34]

Specific programs for children of the pre-school and school-age groups are still more adversely affected by the fiscal crisis and austerity budgets. According to the Michigan Library Association, if children's services existed at all, they were likely to have been the first to be cut or they were eliminated entirely. Access has been curtailed not only by program retrenchment but equally by the closing of branches in urban neighborhoods or in rural areas (due to consolidation) and the severe reduction in operating hours. By contrast, wealthy cities, like Ann Arbor and Dearborn, still offer numerous "story hours", movies, lectures and classes for children of all ages, and they even increase their services for vacation-time and holidays (Ann Arbor Public Schools, 1983).

It can be concluded--again--that the situation of local libraries and their functioning as a viable and attractive provision of recreational and educational services for children and youth deteriorates selectively and gradually, according to the relative financial strength of the respective constituencies.

Recreation: Public Facilities and Programs

Provision of public recreational facilities and programs are unevenly spread over communities and municipalities. While some wealthy cities or towns in Michigan boast public parks, multipurpose service centers, gyms and pools, others are grossly underdeveloped and their residents must make long trips in order to reach facilities.

Ann Arbor (107,000 inhabitants) has 104 park sites maintained by the Park Operations Division; it operates two golf courses, three pools, two ice rinks/arenas, and has a canoe livery system along the Huron River. The degree to which these facilities are self-supporting increased 10%-15% over the last three years. In 1981 the Department received national awards for its overall performance as well as for the quality of single park sites. An ambitious "Parks, Recreation and Open Space Plan" has been adopted by the City Council, providing a policy document for the acquisition, rehabilitation and development of park and recreational facilities in the city. The Recreation Department, administered by the School District, operates a year-round program for children's and youth sports and athletics, including "Little Leagues," cultural arts and educational groups and workshops as well as a varied Summer Program. Regular fees or tuitions are substantial, but income-related scholarships for particular activities are available on sliding scales. Most programs are self-supporting and there usually is a "rush" to the programs and long waiting lists.

In partial contrast, a recent survey (Schonfeld, 1982) of recreation facilities in Metropolitan Detroit's Tri-County area revealed that many municipalities have no recreation department nor offer any ongoing program: 15.5% of the municipalities in Wayne, 36.5% in Oakland and 22.2% in Macomb County.

The following table illustrates the uneven distribution of facilities and it shows an overrepresentation of Detroit City

in all areas, except for ice sport facilities and outdoor pools (which can be explained by the relative high costs involved in ice sport and the lack of appropriate locations for outdoor pools in central city areas).

[Table 8 here]

Problems facing leisure services in the Detroit area include: the cost-revenue crisis (which creates a "natural" tendency to favor activities that will attract financially well-off consumers to increase fee-for-service provisions, and consequently to exclude low-income families; the decay of many older facilities and the lack of resources to repair them, make them efficient or to replace them; and the competition of commercial providers, who offer more sophisticated programs and facilities and are more able to adapt to changing leisure habits (Schonfeld, 1982 and UCS 1982[d]). Some of the recent changes in federal and state programs disproportionally affected the large urban and central city areas (like Detroit) (UCS, 1982[c]:24):

> ". . . The Heritage Conservation and Recreation Service, a federal agency which addressed many needs of urban recreation centers, was abolished. The Land and Water Conservation Fund was frozen. The Urban Park and Recreation Programs were transferred to the National Park Service already under an "austerity" budget. Coastal Zone Management Funds, through which much of the development along the Detroit Riverfront occurred, were phased out. The Summer Youth Recreation Program, which provided staff and equipment ior summer playgrounds in low income areas, was eliminated."

It is possible to illustrate the demand for recreational services by children and youth by reviewing a UCS-sponsored

TABLE 8

Recreation Facilities

County/Region	Multi-Service Center	Service Center	Gym	Indoor Pool	Outdoor Pool	Indoor Ice Rink/Arena
Detroit City (pop. 1,203,339)	10	22	23	11	9	1
Wayne County (43 municipalities w/o Detroit) (pop. 1,134,552)	4	23	13	3	29	18
Oakland County (59 municipalities) (pop. 1,011,793)	2	14	5	1	8	6
Macomb County (26 municipalities) (pop. 694,600	0	9	2	1	3	2
Totals (pop. 4,044,284)	16	68	43	16	49	27

(Pop. are 1980 figures - facilities are 1982 figures)

[following page 37]

Survey of Metroplitan Detroit (1982-d). Although the figures relate to actual use of facilities, some indication as to the level of demand can be derived.

[Table 9 here]

Apparently, recreational demands of children and youth seem to focus on individually performed activities, which suggests that no single organization will be able to meet the variety of recreational preferences of all children. Increased costs of maintaining and adapting public facilities to the changing needs of children and youth (however influenced by advertising and by commercial marketing), will pose major problems for recreational agencies supported by tax dollars and voluntary contributions. Apart from the decline in opportunities for poorer segments of the population, who are more dependent on public low-cost services, providers may have to work with other agencies to stabilize their revenue situation. Within public recreation provisions further use of school buildings, in particular those which were to be abandoned because of declining student enrollment and consolidation of districts, seems a practical notion. As stated by the School-Age Child Care Project (in: Zigler/Gordon; 1982:469):

> "One of the most attractive features of public school partnership models is their effective utilization of existing resources--available school space, federal funding through Title XX and CETA, and parent fees--partnerships optimize the ability to achieve a balance between keeping parent fees down and keeping staff salaries up. Since they have the space available, most school systems have been willing to donate it or rent it on a nominal basis to non-profit organizations

TABLE 9

% of Individuals, 6-17 Years Old, Who Have Ever Participated in Specified Individual Activities

ATHLETICS	
Jogging	30
Walking	47
Gymnastics	21
Boxing	5
Bowling	30
Golf	9
Tennis (racquet ball)	25
Exercise, dance	22
Attend pro sports	40
Attend amateur sports	54
HOBBIES	
Arts & crafts	13
Collecting/garden	31
Drama/theater	10
GENERAL	
Picnicking	72
Going out	79
Auto rides	53
Movies, concerts	77
Browsing in malls	51
Bingo	2
Cards	6
Chess/checkers	22
Electronic games	48
SPRING/SUMMER	
Camping	32
Fishing	48
Swimming	79
Bicycling	76
Motorcycling	8
Boating	23
FALL	
Hunting	5
Other shooting sports	4
WINTER	
Ice skating	34
Cross country skiing	10
Downhill skiing	12
Other	45

% of Individuals, 6-17 Years Old, Participating in Team Activities

Bowling	4
Baseball/softball	16
Golf	1
Soccer	8
Basketball	5
Ice hockey	1
Football	2
Swimming	2
Other	7

[following page 38]

> operating before and after school programs. Likewise, schools have often waived fees for utilities or custodial services, especially if maintenance for the school-age child care program can be managed within the normal routine of the custodial staff."

A UCS-sponsored survey regarding school building use in the Detroit Metropolitan area (Reynolds, 1982) provides pertinent information. Fifty-eight school districts out of 85 (68%) returned questionnaires which yielded the following findings:

[Table 10 here]

The most frequent users of school recreation facilities are Boy and Girl Scouts: 96% of the responding districts offer space for these two organizations. City parks and recreation departments, church groups, ethnic and cultural groups are equally among the more frequent users, while YMCA and YWCA show different degrees of utilization across the three counties.

One crucial aspect of the use of school facilities are time restrictions; they are especially important with reference to the imposition of different fees for custodial services as well as for utility costs. In as far as children's programs are concerned, it appears slightly more difficult to obtain facilities during the "prime time" (3-6 p.m.) for after-school activities. Moreoever, considerable summer-time restrictions limit vacation programs for youth and children.

All school districts charge fees, applying different scales, related to the nature of the group requesting utilization. Eighty-six percent of the responding districts charge "sometimes" and the remaining 14% "always". Fee categories

TABLE 10

Facilities in Michigan Public Schools, Available for Use by Other Organizations

Number of Districts with Certain Facilities Available		
	Yes	No
Classrooms	55	1
Auditoriums	53	3
Multi-purpose rooms	55	1
Kitchens	52	4
Swimming pools	44	12
Gyms	55	1
Athletic fields	51	5

(figures are # of districts; # of facilities are higher)

[following page 39]

imposed by the districts are: school sponsored activities (usually no fee), school-community functions (nominal charges for facility plus custodial charge), and special interest groups (charges). Most provisions of concern in this paper falls into the second group, which potentially leads to what the School-Age Child Care Project anticipated (in: Zigler/Gordon; 1982:470):

> ". . . unprecedented rises in energy costs are forcing schools to take a second look at what they make available for day care or any other community service.
>
> . . . When combined with cutbacks in both Title XX and CETA, under the Reagan Administration, similar changes throughout the country are likely to force parent fees up even further, prevent program expansion, and restrict the participation of low-income families."

The increasing pressure on schools caused by declining enrollments and fiscal constraints led to the abandoning of at least 55 school buildings in the Detroit Metropolitan area. Almost 50% of all districts have at least one vacant school. Districts are responsible for tax debts and for keeping the buildings in reasonably good condition. Most of them are thus hard-pressed to find additional revenue to cover the costs and will look to do so--wherever reasonable--by means of marketing their assets. It seems significant, then that communities with less adequate facilities (such as Pontiac-City or Madison) do not report any use of schools, while most after-school day care provision in schools are offered in rather wealthy localities (Reynolds, 1982).

Recreation in Voluntary Not-For-Profit Agencies and Organizations

An assessment of agencies such as the "Y's", the Girl and Boy Scouts, the Girls' and Boys' Clubs, and community centers led UCS to the following conclusion (1982[c]: 25):

> "Many of these agencies face particular difficulties in maintaining old and deteriorating buildings in neighborhoods where interest in membership and participation is low. Many have depended on CETA-funded staff or volunteers who are no longer available, and many are specialized to serve a youth population which continues to decline. Many also emphasize socialization or informal educational values in a society now undergoing drastic changes in values, needs, and interests."

Poorer neighborhoods are hardest hit by reductionsin public funds supporting voluntary agencies. The Southern Downriver part of Wayne County, for example, facing a deteriorating labor market for several plants have shut down, has no "Y", nor Boys' or Girls' Clubs. The services are provided on an outreach basis through the Downriver Human Service Center. The increasing number of empty schools in that area cannot be equipped as recreational multi-service centers because of the lack of funds.

Overall participation of children in organizations and clubs within the Metropolitan Detroit area is summarized in the following table (UCS, 1982[d]:7):

[Table 11 here]

The statewide 50% reduction in "Donated Funds" from Title XX

TABLES 11 & 12

Household Participation in Various Nongovernmental Recreation Organizations and Activities

Table 11 Youth Organizations

% of participating households active in specified clubs or organizations in the past year by area					
Club/Organization	Total Area	Detroit	Suburban Wayne	Oakland	Macomb
YMCA/YWCA	7	11	9	5	-
Boy/Girl/Cub Scouts	7	9	2	9	5
Little League	3	-	7	2	5

[referenced on page 41]

Table 12 Adult Organizations

% of participating households active in specified clubs and organizations in the past year, by area					
Club/Organization	Total Area	Detroit	Suburban Wayne	Oakland	Macomb
Vic Tanny (exercise)	7	-	14	9	5
Raquetball Club	5	-	5	7	9
Country Club	4	-	9	4	-
Silhouette American (exercise)	2	-	2	4	-

[referenced on page 43]

Block Grants was important in this context because many voluntary agencies in counties and cities were heavily dependent upon these funds. From the original $3.4 million, $1.7 million were left. Counties receiving those funds previously had to "match" them from their own revenue at a rate of 25%. This requirement, however, was dropped, so that many agencies lost about 67% or even all of their funding (MDSS, 1982). Agencies which were most affected include 17 local Big Brothers/Big Sisters involved in day care/baby-sitting/recreational and guidance programs. Seven school districts lost money for extracurricular and counseling services, and at least 12 Child Care Programs lost virtually all of their subsidies, many of them located in depressed areas where no other similar services are available.

It should, finally, be understood that the differential impact of budget reductions on voluntary/not-for-profit agencies varies widely from community to community. In relatively wealthy areas, services offered the "Y's" for example can easily compete with those of commercial providers, while offering high quality and up-to-date programs (like aerobic dance, exercise classes, etc.). Others continuously struggle for survival and will either have to increase user's fees or reduce services for their already underserved poorer constituencies. Without redistributional interventions, the situation in those communities is likely to deteriorate further (UCS, 1982[c], p. 48).

Commercial Services

Again, some selected data on Metropolitan Detroit, taken from the previously mentioned UCS-Survey on Recreational Activities (1982[d], p. 7):

[Table 12 here]

The reason for reporting these data (as they do not directly pertain to the age group of interest here), is that they clearly indicate the direction in which the recreational pattern is developing. The City of Detroit has virtually no participating households in these kinds of commercial programs, while the wealthy suburbs in Wayne and Oakland counties represent the bulk of consumers of these services. This led UCS (1982[d], p. 26) to the conclusion:

> "Middle and upper-middle class families are generally meeting their leisure needs through private expenditure. Consequently, the tendency is to resist major expansion of recreation and park programs unless they are perceived as meeting direct needs."

In as far as children's and youth's consumption of commercial services is concerned, they generally follow the expenditure patterns of the adult population, as they are marked by class and income divisions. The fast-growing popularity of electronic games (as represented by the aforementioned 48% of 6-17 year-olds using them) will push the poorer segments of the population to the commercial arcades, while the better-off will be able to purchase home equipment. Consequently, most of the private commercial arcades are found in Detroit City, rather than in the suburbs.

Some Developments in Related Fields

There are some related developments in other agencies which are tangentially related to our area of interest. One study carried out by the Public Health Student Association of the School of Public Health at The University of Michigan in Ann Arbor (1982), attempted to assess the impact of budget cuts on 42 public and private Social Service and Health Agencies in Washtenaw County over the period 1980-82. At least 10 of these agencies were directly or indirectly involved with the kinds of srrvices discussed here.

Of 26 agencies reporting on their budgets:

46% (12) reported a cut or no increase;

27% (7) reported an increase under 10% of the 1980 baseline;

27% (7) reported an increase above 10% of the 1980 baseline.

Given inflation during the period, almost half of all agencies (19) have lost funding in real terms. Not all service categories were equally affected by the cuts. Most agencies with reductions clustered in the "general service" category (including welfare, legal aid, child care, housing and counseling). Emergency food services and treatment provisions generally experienced some increase in funding, which partly confirms the expectation that in times of financial hardship more emphasis is given to "basic services." While most reductions occurred in agencies funded by federal or state monies, those with revenues from private sources generally showed an increase in that funding. Most of the private funds, however, were directed to

emergency services, and their increase did not compensate for the loss in public funds in the "general" area of service delivery.

Cuts in staff positions and salary or benefit reductions were reported in 46% of the agencies. Increasing the number of volunteers has been another way to compensate for lost manpower, which, of course, put more responsibilities on the remaining paid staff. Over 30% of the agencies reported that these budgetary reductions reduced their capacity to serve clients, and over 50% reported that budget cuts in other agencies affected their ability to provide services. Finally, 45% of the agencies eliminated services and 40% reported that the abandoned service areas were not taken over by other agencies. At the same time, 7 agencies reported having increased their client fees, which again had the most negative impact on low-income and poor clients.

An assessment of the statewide impact of both recession and funding cuts on voluntary human services agencies that received funding from the United Way of Michigan or from the 27 local United Ways in the state's Metropolitan areas has been made by the Michigan League for Human Services. Information was gathered about the period 1980-82 covering 285 agencies evenly spread over the whole of the state's territory.

Widespread "agency distress" was reported, indicated by funding loss (1/3 lost money in absolute terms; 2/3 lost financial resources if inflation was taken into account); almost 60%

of the agencies could not cover their annual expenditures and had to implement emergency measures; almost 50% lost at least one staff position; 44% had insufficient funding to maintain levels of service delivery during both of last two years; finally, 2/3 were not able to meet the demand for at least one and on the average four of their services.

The major factor contributing to the distress and disruption of agencies was change in government policies and funding. The potential impact of cuts in public monies is pervasive: 2/3 of the agencies depended for an average half of their revenues on government dollars, and 60% of those agencies (or about 40% of the total) suffered reductions; both state and federal monies were reduced and not only by direct funding cuts, but equally through policy changes and other decisions. While government funding had usually been categorical in nature the impact of the cuts focused heavily on certain agency-services, and could not be distributed across the board: most frequently and severely affected were employment and training, mental health counseling services, foster care, residential care, services for the elderly and protective services.

Another indicator of the impact of the budget reduction is the growth of the demand for services by a changing clientele. Over 80% of the agencies experienced a significant increase in demand for their services over the last three years. The increase in demand concentrated on meeting basic needs (food, heat, utilities, financial aid). Over 3/5 of the providers

reported that the demand doubled over the last three years. The number of certain groups of clients exploded: agencies reported seeing former welfare recipients and "new poor" four times more often than previously, three times "working poor" and double the number of recently unemployed and welfare recipients. It was felt that the surge in the number of former recipients was a direct result of the more restrictive federal and state rules for welfare eligibility. Finally, over 3/4 of the providers could not meet the increased demand for heat and utilities, over 2/3 for employment and training and over 50% for housing repair, emergency financial aid, transportation and mental health services.

Responses to the funding and demand "squeeze" usually involved reducing the number of services and staff (in about 50% of all agencies), on retargeting or shifting services from low- to high-priority areas of demand and on seeking additional funding from old sources or from additional ones.

In as far as the future is concerned, some disturbing problems can already be anticipated. The limitation in funding continues for a fourth year through 1983. Even United Way funds available in Michigan only increased by .2% over 1982. Secondly: (MLHS, 1983:7)

> ". . . , the nature of human needs continues to change as the recession continues. A disturbing figure, the increase in Michigan's annual suicide rate for 1982 to 14.0 per 100,000 population (up from 12.6 in 1981) reflects the growing need for services and trained staff to resolve cumulative, entrenched problems.

> While the immediate need in the past has been and continues to be for food, shelter/heat and the other necessities, individual and family stress have now accumulated to the point of crisis for growing numbers of people."

While many of the aforementioned developments are parallel to those reported in national surveys (e.g., the US Conference of Mayors, 1982; the Campaign for Human Development, 1982), the intensity of the crisis and its effects seem indeed devastating in Michigan.

The above figures do not allow us to draw direct conclusions for the services and programs for school-aged children which are central to this paper. They do, however, illustrate one important point: when the level of distress becomes as basic as these surveys indicate, and when survival becomes as basic an issue as is suggested, "supplementary" programs like those of special interest to us here may be the first to be reduced, if not entirely eliminated.

Implications and Outlook

On the most general level, some conclusions can be drawn about political and economic structures and processes and their impact on the children of Michigan. "Stagflation" has caused, both directly and indirectly, a decrease in federal and state revenues. Public expenditures for infrastructure, for investment and consumption incentives have dropped, resulting in an erosion of general welfare and the quality of life for large segments of the population.

Inequities among the geographical-political sub-units of government are not systematically addressed or alleviated by current redistributive policies. On the contrary, the condition of public services has been affected by decreasing aid from "higher" level governments, resulting in a process of "delegating" costs towards the lower levels of governance and to the structurally disadvantaged areas and populations. Examples of such processes include the New Federalism--policies for the nation as a whole; the disproportionate distress of Michigan and other states belonging to the old "industrial heartland"; finally, the "exploitation" of central cities by the surrounding suburbs. Most importantly: the costs of downward fluctuations in the economy are delegated directly (in terms of unemployment, benefit reductions/cuts, etc.) and indirectly (in terms of social and psychological costs) to the lower strata of the population, in particular to the disadvantaged, the "working poor", the "new poor", single mothers, the unemployed and the welfare population, and the dependent children of these groups. The increased needs of former and new dependent populations cannot be met adequately, in turn leading to short- and long-term vulnerability and hence "chronic" dependency. Finally, and resulting from all of the above, programs and services are being "thinned out" selectively, as financing and constituency-specific priorities change.

Michigan, one of the states with "depression-like conditions" (Milliken and Reagan in 1982) proves to be a dramatic case in point. The vicious circle of economic crisis--unemploy-

ment; eroding tax-base due to unemployment, plant closings and general resistance to taxation; federal actions exacerbating the absence of a meaningful redistributional mechanism across the states, and straight cuts in federal programs, designed to help local administrations cope with increasing demands for help in times of distress--all converged to bring the state to the brink of bankruptcy.

As described above, redress for the immediate financial situation could only come from in-state reserves, which was primarily done by reducing expenses for "non-essential" programs, services and provisions. This then led to a substantial unraveling of the social safety-net. The result has been, both on the aggregate level and on the level of "mediating agencies" to shift the emphasis of service delivery to emergency needs, withdrawing resources from lesser priorities. Education, other socialization services, recreation and leisure, mental health and health services, have been the major "victims" within this process.

Looking into Michigan's future, it can certainly not be assumed that budgets and programs will be restored soon. Moreover, the public infrastructure for service delivery has been damaged to a great extent. Reducing staffing by 12,000 will not be compensated for within the next few years, particularly when one considers the amount of expertise and professional experience that has been lost.

Finally, given the pressures against taxation and the general demographic developments, which are basically counter-

productive to all attempts to increase public funding for children's programs (Pifer, 1980) and ancillary services in particular, powerful local constituencies will continue to oppose provision of these services let alone their restoration or expansion.

The need for after-school care in the various forms discussed above is quite obvious and acknowledged. There is agreement too, however, that such programs, with a generally low priority but with some public funding in "good" times, would be among the first to be cut or eliminated in a period of fiscal austerity. In particular those ancillary services which are entirely or partly supported by public money are targets for reduction, hence severely limiting accessibility to low-cost provision for low-income groups.

The need for after school care has never been adequately recognized: while needs "assessments" abound, and some expensive pilot-projects have been initiated, the implementation and institutionalization of programs has been minimal. In particular, welfare and single parent households as well as two earner families are hardest hit by fiscal retrenchment and program reduction. Demand for all kinds of public services has been increasing, including the demand for (extended) day care. The depressed conditions of the economy, in particular the high unemployment levels in Michigan, have prohibited any possibility for finding additional income from work. Long-term opportunities for income improvement are often out of reach, since they

require either mobility or training, which again presupposes the availability of affordable day care.

So, the only strategy left to many families has been to recur to other forms of help, including moving in with relatives, day care by older siblings, latch-key arrangements, and the like (this trend became especially obvious in the course of fieldwork done by the author for a Michigan-wide survey, on the matter of being cut off from AFDC-benefits).

Finally, there is the question of what is to be done to not only save the existing services and programs for after-school day care, but to increase their number and accessibility to those who primarily depend on them. While interviews with program administrators and coordinators left no doubt about the need for after-school services, strategies for their survival were rather limited. They ranged from more involvement on the part of schools, with both facilities and personnel; to the possibility of involvement of the elderly, which is already done by some private agencies. Increased involvement of employers could be an important source of day care resources for employees, although there are some strong arguments against it (Baxandall, 1975).

It does not seem appropriate to count too much on support from United Way or Community Chest experiences: those organizations are usually more interested in programs with a high visibility and low cost (not necessarily features of after-school day care). It could become part of the bargaining package

of unions (see AFSCME, 1982), before governmental or public funding are chosen (except, perhaps, as part of school budgets). Furthermore, perhaps funds for discretionary programs should not be drawn from property taxes, but from sales taxes, as a means of redistributing resources. The latter suggestion, of course, is quite controversial, and deserves close examination as to its redistributional effects. Most federations and agencies interviewed for this paper were trying to reverse the trend from "overdependency" on government funds, which leads to the kind of vulnerability that is being experienced these days.

The choice of funding mix and program content must of course remain in the hands of the direct providers and their constituencies and they should not overly be limited by a whole array of regulations.

On the other hand, the obvious disparity in provision along the income groups and geographic areas certainly demands that the state maintain its primary commitment to a more equitable distributional infrastructure. Too much attention for alternative funding sources would again distract from more basic questions of inequality (Grubb and Lazerson).

Hopefully it will become clear that the available options in service-delivery--not only those for children--have distinct meaning at all levels of the society that it will lead to more equality and justice for all. In any case, Michigan's situation over the next few years will become nationally sym-

bolic of the way states in fiscal distress come to address the needs of children and families.

Informants and Their Institutional Affiliation

Children's Defense Fund, Washington, D.C.; Ellen Hofman.

Community Coordinated Child Care of Kent County, Grand Rapids; Lynn Parks, Emily McKenty (formerly).

Community Coordinated Child Care of Genesee County, Flint; Jan Van Nieuwenhuys.

Council for the Arts, Detroit;

High/Scope Educational Research Foundation, Ypsilanti; John Beruetta-Clement, John Kyle.

Drake, Douglas, Staff Director House Taxation Committee, Lansing.

Hollister, David, Michigan House Representatives, Lansing; Doreen Radke-Boyd, legislative assistant.

Michigan Department of Education, Lansing; Nancy Hass, Muriel Van Tatten.

Michigan Department of Public Health, Lansing; Jeffrey Taylor.

Michigan Department of Labor, Lansing; Charles Altman.

Michigan Department of Social Services, Lansing; Bill Hankins, Day Care Unit; Joe Slegel, Food Programs.

Michigan Department of Natural Resources, Lansing; John Adams.

Michigan Federation of Private Child and Family Agencies, Lansing; Gerald Hicks.

Michigan League for Human Services, Lansing; Herbert Yamanishi, Sharon Woollard, Pat Sorensen.

Michigan Library Association, Lansing; Marianne Gessner.

National Campaign for Child Care for Working Families, Washington, D.C.; John Kyle.

United Community Services of Metropolitan Detroit, Detroit; Candace Spaulding, Paula Shoecraft-White.

Washtenaw County, Board of Commissioners, Ann Arbor; Mary Egnor, Don Duquette.

FISCAL CONTAINMENT AND THE EXPENDABLE CURRICULUM

James S. Catterall

University of California, Los Angeles

Abstract:

This paper discusses the relationships between fiscal stress placed on public schools in California after the passage of Proposition 13 in 1978, and changes observed in urban high school curricula in the past five years. The general ties between finance and curriculum are presented, the specific influence of the tax limitation measure on California school finance is suggested, and an empirical assessment of curriculum changes in the state's "Big Eight" school distrcts is reported. Secondary curriculum superintendents and a sample of teachers, counselors, and parents in each district were interviewed for this research. The principal findings include nearly universal perceptions of reductions in course offerings in similar areas across all study districts, and a common understanding of intimate ties between financial pressures and these changes.

This research was sponsored by the National Institute of Education and the Children's Time Study, University of California, Berkeley.

FISCAL CONTAINMENT AND THE EXPENDABLE CURRICULUM

James S. Catterall, Ph.D.

University of California, Los Angeles

It should surprise no one that the fundamental effects of fiscal limitations imposed by voters on their governments in the late 1970s are just beginning to emerge and to be understood. For one reason, the piper waited politely to be paid in those states which found some flexibility in their budgets. Treasury surpluses, where they existed, and creative accounting devices have now generally expired; so as the 1980s unfold many public systems face for the first time both reduced real budgets and restricted revenue raising authority. For another, our understanding of institutional responses to the tax revolt has awaited focusing of our conceptual lenses and gathering of enough observations to suggest general patterns of responses to financial crisis.

Nowhere has the drama played longer than in California, even though its voters inaugurated the nationwide tax revolt with the passage of Proposition 13 in 1978. Local agencies dependent on property taxes were spared immediate shock because a huge and growing state budget surplus replaced lost tax collections almost dollar for dollar in the years following the tax cut. And in no institution have the long-run effects been less apparent than for California's schools, which secured a better deal than others at the state capitol as annual bail-out funds were disbursed by the Legislature. Yet we are beginning to see the effects of the financial reins applied to the schools as a result of Proposition 13 in the reduced range of services they are now offering to the

state's children. What has become of the school curriculum since 1978 is the subject of this chapter.

This analysis contributes to a comprehensive study of the effects of fiscal containment on services provided to children and youth in the state of California. Here we explore the linkages between the financial effects of Proposition 13 on the one hand, and the curriculum offered to children in the state's public schools on the other. That financial hardship readily translates into program reductions needs little documentation for anyone concerned with California schools since 1978. Of interest to us instead is a richer story. It is a story of curriculum change at a time when both financial strains AND pointed demands for improved pupil proficiency were playing upon decision makers at all levels of the public school system. As we point out in our conclusions, these demands include policy proposals by the state's newly elected education leadership that would further reinforce the changes we report here. It is also a story of a substantial statewide property tax limit interacting with other major forces shaping California school finance during the past four years. Most important, and at the heart of this discussion, it is a story of just which school-based services are sacrificed, and why, when budgets are squeezed.

At one extreme, rational views of institutional retrenchment suggest that what we find in today's curriculum might be interpreted as an expression of social priorities for schooling--i.e., we retain what is most socially valued when programs are pared. At another extreme, a systems view of schools suggests that curriculum manipulation to accommodate financial losses may be largely governed by what can and cannot be changed by school leaders and policy-makers. In practice, both views

find some support. A part of what is lost in retrenchment seems to reflect the "expendability" of particular courses of study in the eyes of decision-makers. And a part more aptly confirms the presence of structural barriers within and surrounding the schools which deny their leaders the freedom to choose what they lose.

We suggest here that a longer-term view of responses to fiscal containment is beginning to become apparent in California secondary schools. We have chosen to focus on high schools for several reasons--because of the wide range of services they have provided to youth, because these services complement or overlap with those provided by non-school agencies (a companion topic of this volume), and because the differentiated programs at this level appear to have been systematically picked-apart in California as funds have grown short. The results and rationales of this selection are of great interest to us. In contrast, and with great inconvenience to researchers, elementary school programs typified by self-contained grade-level classrooms do not display their curricula as readily and will not be probed in any depth here, although important changes in their offerings have surely accompanied those we are examining.

Our view of school program change under the fiscal stresses caused by tax limitation has developed from a broader conception of curriculum policy-making in public education--so we begin with a brief survey of the various forces that play either steadily or episodically on curriculum decision-makers. Then we describe the role of finance more generally as a contributor to this larger picture, and within this realm, the impact of Proposition 13 on curriculum-relevant aspects of California school finance. Finally, we examine changes that have taken

place in California secondary school curricula since 1978 as revealed to us in interviews with key informants in the state's larger school districts. In this empirical exploration, we asked a select sample of curriculum superintendents, school counselors, teachers, and parent leaders in the state's major urban districts to present their views of which offerings have changed and why in their high schools, and their impressions of where finances have played a critical role in these decisions; and we attempt to portray their responses in the context of the curriculum world we have outlined.

Curriculum Change and Constraint

Curriculum change takes place in both subtle and patent ways. As pressures bear on what schools are willing or capable to do, such as stresses wrought by financial hardship, we would anticipate interpretations of these changes to take place through any of the various conceptions that are commonly applied to school curricula. We could, for instance, take an interest in the effects of external stress on the internal organization of given courses of study--e.g., have field trips been replaced by film strips in honors biology? Or we might track the content of the social studies curriculum when teachers or classes are realigned in retrenchment. Or through the lenses of social psychology, we might observe finance-related employee stress and its impact on the curriculum. Or as historians we might monitor swings in the fundamental purposes of the curriculum, either as articulated in broad policies of governing boards or as revealed to us in portraits of district practice.

For this discussion, we adopt a simpler notion of curriculum than any of these. We concentrate on the "menu" of educational services offered to secondary pupils in California--i.e. we focus on changes of

school program content defined by which courses and services have been withdrawn from or added to listed school offerings over the past four years. We further probe why these decisions were made in the views of a variety of central participants. Our approach is limited because of its innattention to probable changes occurring inside classrooms, and more generally because it does not allow for descriptions of changes within services which have retained their name but not their substance over time. As such, the information we present provides a surface indicator of curriculum change, but an important one as we survey our findings. We also suggest that our findings will tend to underestimate the full range of curriculum dislocation in California high schools since Proposition 13 because of this necessarily partial view it affords. Nevertheless, we have chosen our perspective because programs and courses have been excised selectively and vigorously from the high schools in recent years--that is, the phenomenon defined in this way is substantial--and because conducting this type of inventory is within the resources available to us for this analysis. As a final note, we discovered in our preliminary inquiries that no central office in California monitors the curriculum offerings of schools statewide, and that original data collection was demanded by the nature of our questions.

Forces for Curriculum Change

Analysts have described a host of actors, both individual and institutional, which exert pressure on the school curriculum, often in the name of stability, and sometimes as forces for change. School professionals have always been recognized as instrumental curriculum actors, both administrators with direct access to decision-making processes, and teachers who most directly exert their influence over

curriculum behind closed classroom doors. In addition, teachers have in recent years exercised increasing influence over the school curriculum through the collective bargaining process, and particularly through steadily widening the scope of bargaining to include such aspects as the teaching calender and personnel reassignment policies.

Both administrators and teachers are generally recognized as forces for stability in the curriculum. First, both groups have been molded in university and college departments of education which tend to present notions of curriculum in unison. And they have passed through other credentialing, hiring, and advancement filters which in effect verify their willingness to conform. And finally, a multitude of efforts to change teacher behavior through sponsored reforms have suggested that teachers often prefer to persist with what has worked for them in the past and are not inclined to change their ways much as years of service accumulate (Lieberman, 1982).

Many actors in addition to school personnel exert influence over curriculum policy-making. School district trustees set broad policies and mandate specific programs or actions affecting curricular offerings. School advisory councils contribute to curriculum decisions surrounding a number of federal and state programs. State boards and departments of education exert pressure on the curriculum through their policy initiatives, and through their regulatory oversight of state and federal programs. State legislatures are also important educational policy actors, both through dispensing financial aid (which in California, after Proposition 13, accounts for a comparatively high 80% of local district spending), and through their mandating or enabling of numerous school programs. The federal government also has left its mark on the

curriculum through funding and partial control over some 30 categorial programs for special pupil populations.

Still more actors play indirectly upon the school curriculum. Text manufacturers can define available curriculum options, especially in those states which adopt a restricted number of approved texts for use in specific areas of their school programs. State university systems establish standards for admissions, including required course preparation, which customarily shape school decisions regarding course offerings and student decisions about what to include in their schedules. And even the College Entrance Examination Board, by creating and administering a small number of tests used widely by colleges for admissions decisions, has a grasp on the curriculum tiller by means of its definitions of what constitute aptitude and achievement.

Finally, the school curriculum has been seen to yield to larger perceived needs of society, as illustrated by the explosion of math and science program innovations following the USSR's Sputnik success in 1957, and also now by what we see as a widespread demand for concentration on "basic" skills development at all levels of school the curriculum.

Both the conservative cast of many of these actors, and also the sheer number of them suggest that the school curriculum will tend to move sluggishly wherever it heads, and that it will be highly resistant to deflections that do not manage to engage a significant coalition of these forces. The character of many of these forces also suggests that a core traditional curriculum will remain at the heart of public schooling and will provide a base toward which the curriculum will tend to return when it is deflected by episodic forces.

Finance and the Curriculum

The overriding connection between school finance and school curriculum is obvious. Resources in the form of people, materials, and facilities are the very stuff of curriculum, and school finance systems deliver and distribute resources to the schools. Finance influences both what is offered to pupils and how offerings are organized and conducted. And finance change guarantees curriculum change, if only because none of the critical curriculum actors are immune to its logic.

The recent history of change in overall support for schools in California shows us both edges of the financial sword, as do similar experiences in many of the nation's school systems. Historical growth has largely given way to decline, and Proposition 13 in California has sharpened the downturn.

Financial Boom ...and Bust in California

In the decades leading up to the 1970s, California schools were buoyed by the state's population influx and fertility, and especially by the post World War II baby boom which delivered a succession of ample pupil cohorts to the school yard. The schools were built up to accommodate advancing numbers of children and the institutions appear to have taken advantage of certain economies of scale in the process. New pupils meant added financial resources in a system generally driven by pupil numbers. And where financial growth was not met by immediate needs for investments in fixed resources such as school facilities, more money led to new program capabilities, decision-making flexibility, and the diversification of the curriculum in the secondary schools.

During this period, forces in league with financial comfort ensured the expansion of courses and services in California high schools. State mandates for everything from driver education to multi-cultural awareness led to the attachment of sundry newcomers to the curriculum. State and federal programs which aimed extra money at specific pupil populations led to courses of instruction designed for their needs. Demands for curriculum "relevance" in the latter 1960s resulted in an increase in elective or alternative ways to engage students in learning--if English III was failing in the school marketplace, perhaps the Counter-culture as Literature would catch on. And a general interest among educators in enabling secondary students to create individualized programs which would match their educational experiences to their interests and talents also supported the expansion of the curriculum.

Further, the well-staffed, highly educated, and very activist California legislature also contributed to the proliferation of programs and experiments in the state's schools. An opinion widely held in education policy circles by the end of the 1960s was that the elapsed time between the appearance of an idea in a national education journal and its legislation into the California State Education Code averaged about three months. While this has never been verified scientifically, the code now warrants ten volumes, thousands of pages, and a dusty corner of district office bookshelves because of its unwieldy character.

The reverse edge of the public finance sword began to gleam at California schools in the early 1970s. Just as growth had afforded flexibility and additions to the school curriculum, withdrawal of financial support hit hard at what the schools had built up in the previous era. Proposition 13 may ultimately be viewed as a watershed for

California's local institutions, but for the schools it merely reinforced a long-evident turnaround. Elementary and secondary enrollments both in the state and nationally have declined steadily since 1971 at about 2 percent per year. Also during this time, the percentage of school bond elections succeeding at the polls began to plummet, cutting off another important source of revenues. And to conspire with these losses, the California legislature began putting the financial brakes on the state's higher spending school districts in 1974 as a result of the Serrano vs. Priest decisions which rendered the California school finance system unconstitutional because of its inequitable dependence on local property tax wealth.

But even with the fiscally dampening effects of these trends and decisions during the decade, nearly all of California's school districts stayed about even with increases in the state's living costs by increasing budgets both in absolute and per-pupil terms from year to year throughout the 1970s. The state's economy remained healthy, which brought surplus funds to the treasury each year, some of which ended up in the schools through growth of state school support. In addition, real property values increased typically 10 to 15 percent annually across the state throughout the decade, and by even more in some school districts. This drove up property tax collections, another important source of funds for schools. On balance, the schools of California were getting neither richer nor poorer when Proposition 13 passed in June of 1978.

Proposition 13 and School Finance

Through its provisions restricting tax rates and assessment growth, Proposition 13 had the immediate effect of cutting real property tax

revenues statewide by more than half. At the time, this meant that 1978-79 school budgets would have fallen 25 to 30 percent short of their anticipated levels in the absence of replacement revenues, and that local agencies more dependent on property taxes than the schools would face even deeper cuts. Fortunately, the state treasury surplus, eyed by the sponsors of Proposition 13 as a source of tax relief, enabled the state legislature to bail out these agencies, although no one knew how long the state's economy would afford the continuance of massive state assistance. At least one change for school funding became clear: The state legislature through its actions was now to be the annual arbiter of school finance, and districts would now have to submit to state-level decisions as to the exact dollar amounts of general revenues available to them.

The precise effect of the tax slashing measure on the level of school support in the ensuing years is problematic, since overall public support for institutions is influenced by a variety of factors. Changes in economic conditions, changing priorities of legislators and school trustees, altered patterns of federal school support, and variable willingness of voters to tax themselves all interact, and this tends to confound analysts in their desires to explain the independent effects of any of them.

We do know the financial fortunes that California schools have experienced since Proposition 13, and the fact that levels of support have declined in these years does not appear to be a coincidence. The post tax-cut years lie in significant contrast to those leading up to them.

Table 1 shows what has actually occurred from year to year since Proposition 13 as the California legislature has appropriated general

Table 1

General California School Revenue Growth
Since Proposition 13 in Context[1]

School Year	Average Growth of General School Revenues from Previous Year		Conservative Historical Growth Pattern	Average Cost Inflation
	Total	Per pupil		
1978-79	0-1%	3%	8%	9%
1979-80	8%	10%	8%	9%
1980-81	8%	10%	8%	9%
1981-82	3%	5%	8%	9%
1982-83	0%	2%	8%	9%
Compounded Growth	21%	33%	50-60%	60-70%

[1]Revenues excluding Federal and State Categorical Programs; based on net block grants from state to districts; source: Office of Associate Superintendent for Administration, California State Department of Education.

operating funds to the state's school districts. In the first school year after Proposition 13, 1978-79, the state bail-out allowed the average district to just maintain its previous year's level of general revenues. This translated to a small increase in per-pupil terms because of continuing enrollment declines. In the two years which followed, continued growth of state revenues permitted appropriations affording 8 and 10 percent budget increases for school districts in general and per pupil terms respectively. The past two years have been much leaner for the schools because of a general economic recession and the exhaustion of the treasury's accumulated surplus. This has yielded minimal growth in per-pupil funding.

As of 1982-83, the fifth school year since Proposition 13 passed, general revenues for California schools have fallen far short of what might have been expected if previous patterns of revenue growth had been maintained, and actual school budgets fall even further short of allowing schools to keep up with general increases in the cost of living. General per pupil expenditures have increased about 33 percent in these years, whereas they might have been expected to increase by somewhat more than 50 percent during this time according to historical patterns. Meanwhile, the general cost of living in the state has progressed by more than 60 percent. The net effect of these years on school finance appears to be that California's schools now have about 20 percent less real resources per pupil than they had in 1978, and have overall budgets 25 percent below those of 1978 in real terms.

The role of Proposition 13 in this pattern results from its several provisions: (1) the removal of nearly $6 billion immediately from overall tax collections in the state, (2) the loss of progressively increasing annual tax collections if assessments had been allowed to inflate with property values, and (3) from the measure's effective abolition of local tax increases to assist the schools. In effect, the taxing authority that Proposition 13 removed from public officials in California would have been able to more than make-up for the schools' budget shortfalls illustrated in Table 1 and could have eliminated as well the deficits experienced in other local agencies. A continuation of total tax collections at pre-Proposition 13 levels could have provided for school revenue growth at levels previously experienced and at rates approximating those of general cost inflation. These would-have-been tax collections <u>plus</u> the giant state revenue surplus could have combined

to create a very robust public finance picture statewide. In short, Proposition 13 appears to have cut deeply into real school resources.

This portrayal of school finance patterns in California is not a complete rendition, since districts do have revenues in addition to the block grants provided from year to year by the state. Federal funds and state categorical programs for a variety of special needs pupils account for varying amounts of district spending beyond the general assistance just described. For districts without substantial participation in these programs, the block grants account for nearly their entire annual budgets. Urban districts are major participants in these programs, and their overall budgets per pupil far exceed the block grants. For example, the Los Angeles Unified School District's state block grant accounted for only about $1850 of the more than $3000 budgeted per pupil for 1981-82. But since the funds beyond state block grants are tied to specific programs, the general revenue patterns we have described are highly pertinent to any discretionary curriculum decisions that school districts have made in recent years, and these changes are what we hope to describe.

Curriculum Change Since Proposition 13

California school finance patterns outlined in the previous section and shown in Table 1 suggest that the curriculum in California schools has been under stiff pressure for the past five years. First, since teacher salaries typically account for more than 80 percent of school expenditures, districts have faced a bind in their relations with teaching staffs. Where teachers have succeeded in securing salary increases of any magnitude, there is pressure to reduce their numbers since this is by far the largest potential source of revenues within district

budgets. And where salaries have been held back because of financial hardship, teachers become more inclined to seek other employment and fewer are attracted to the schools as potential replacements. And administrative responses in this dilemma are not entirely within the control of district leaders because issues of salary scales and teacher retention are subject to collective bargaining agreements reached in concurrence with the teachers themselves. Who must go when layoffs are enacted, and who bails out voluntarily in the meelee would have a direct effect on a district's curriculum.

Further, to the extent that the costs of support services and materials have increased on a par with general inflation over these five years--referring to such necessities as office assistance, paper products, transportation, energy, and maintenance supplies--the schools have had to make do with less, since their budgets have not maintained this pace. Areas of the curriculum requiring consumable supplies of any sort, such as science laboratories, manual and creative arts, or organized sports, are likely to have suffered.

While it is widely suggested that effects in each of these expected realms have come to pass in California's schools in recent years, we were surprised to learn that neither state officials nor anyone else queried maintains a systematic record of what the schools actually offer to their pupils and how these offerings have changed from year to year. This is probably due primarily to the fact that all schools seem to comfortably exceed the minimal core curricular offerings required by the state's education code; therefore extensive central monitoring practices have not developed. Even high school graduation requirements are left entirely to the discretion of local districts under current California law.

To assess the nature and extent of curricular changes in California secondary schools since Proposition 13, we conducted a survey of personnel and parent representatives in each of the state's "urban" school districts. Organized as the "Big Eight" school districts in California (for their purposes of presenting a unified voice on many state-level education issues which affect them similarly), these districts listed in Table 2 enroll a fourth of the state's school children. We chose these districts because they represent such a large share of the pupil population, and thus we might gain the most from our inquiry resources. The most important limitation of this selection with respect to characterizing the financial circumstances of districts generally in California is the fact that the districts are all high spending districts, and this has had an independent effect on their finances because of post-Serrano legislation. The total growth of block grant revenue in these districts has proceeded more slowly than that in school districts on average because of continued narrowing-the-gap provisions for spending across school districts in state bailout laws. Perhaps countering this difference which suggests that our sample districts may have suffered more than others, their sheer size might afford these large districts comparative flexibility with certain of their resources; for example, they may be more able to find and transfer staff to cover high priority assignments, or to transfer funds from one program to another to maintain critical services.

The eight study districts are listed in Table 2, along with selected enrollment and state block grant information for the first school year following Proposition 13 and for the school year 1981-82. (Complete enrollment and state funding data for these districts during this time

Table 2

Study Districts ("The Big Eight")
and Selected Statistics[1]

District	(a) Total Block Grants per pupil 1978-79	(b) 1981-82	(c) Per pupil Budget	(d) Overall Block Grant	(e) ADA 1978-79	(f) 1981-82	(g) ADA Change
Los Angeles	$1621	1897	+17%	+ 7%	576,401	529,600	-8%
San Francisco	1647	1971	+18%	+10%	62,670	58,115	-7%
San Jose	1500	1968	+31%	+16%	37,000	32,622	-12%
San Diego	1407	1833	+30%	+19%	119,705	109,115	-9%
Oakland	1565	1957	+25%	+12%	53,038	47,498	-10%
Long Beach	1446	1849	+28%	+30%	56,355	57,206	+2%
Sacramento	1558	1922	+23%	+14%	41,825	38,864	-7%
Fresno	1384	1811	+31%	+18%	51,572	46,692	-0%

[1]Sources: "California Public Schools, Selected Statistics, 1978-79," State of California Bureau of School Apportionments and Reports. And California State Department of Education, Local Assistance Bureau, for 1981-82 data.

period appear in Appendix I.) The data indicate that these districts have experienced changes in finance approximating those portrayed as typical California school district finance patterns in Table 1. Both the growth of total state revenues, and the growth of these revenues in per pupil terms appear to average just under those we reported to be expected overall for school districts during the post-Proposition 13 years. San Francisco and Los Angeles schools have fared considerably worse than the other six districts, while the Long Beach school district has substantially increased its overall block grant (but still short of

amounts needed to offset inflation) because of its increases in enrollments. Actual block grant figures for the current year (1982-83) were unavailable to us, but state school finance legislation for 1982-83 was its most austere in recent memory, and additional growth of state revenues for any of these districts will be minimal or none. So the combination of Proposition 13 and a cooling state economy have cut substantially into the real resources which these districts can spend per year in their schools.

We interviewed by telephone the following people in each of the eight districts in order to assess the location, extent, and rationale for changes in high school offerings in their districts since the passage of Proposition 13: the assistant superintendent for instruction (or the chief secondary curriculum specialist in cases where we were refered to this office), the head of the district's teacher organization, a counselor nominated by the principal of a high school selected at random from the state's public school directory, and the president of the district's parent-teacher organization council. We chose this cross section both to get a sampling of curriculum change from a variety of relatively independent vantage points, and also because we began the inquiry with some suspicion that one's perceptions of curriculum change might be influenced by one's position within the schools. What we found instead was a very high level of concensus among our respondents within each district and across all districts as to what was changing and why in their high schools. Our interview questions are appended to this chapter. The results of our survey are now presented.

Survey Findings

If California's urban districts provide a valid indication, financial constraints imposed upon schools in the past five years have acted along with local and state demands for curricular emphasis on "basic" skills development to substantially alter the range and types of courses of study offered to high school students. Proposition 13, as we just described, contributed to a reduction of the real resources available to school districts of about 25 percent since 1978. Accommodation to these losses was made in all eight of our study districts through reductions of teaching and other staff, restriction of salary growth, and through trimming budgets for materials and support services. Proposition 13 had the additional immediate effect of eliminating nearly all summer school programs. These responses to fiscal constriction were made at the same time that the state legislature and the school boards themselves were calling for increased attention to basic language and quantitative skills in the high school curriculum.

The results of these district accommodations to budget shortfalls, and to mandated reorientations toward the 3Rs in their curricula, can be seen in three major arenas: the organization of the high school curriculum, pupil course selection patterns, and in a common and lengthy list of offerings which have either been eliminated or reduced to traces of their former levels. Each of these responses and results is now taken up in more detail.

The most immediate effect of Proposition 13 was the elimination of summer school programs following its passage. This had been suggested during the Proposition 13 campaign by State Superintendent of Public Instruction Wilson Riles as a probable response to the tax cut, and the

elimination of summer school and adult education programs became a part of the legislature's overall strategy to disrupt as little as possible the "regular" functioning of the state's institutions in the aftermath. This left the nearly one-fifth of the state's school children who regularly attended summer school for remedial, required, or enrichment classes without such opportunities; as we discuss below in regard to pupil class selection patterns, this has altered what they choose to study during the regular school year. This perception of the primary impact of the demise of summer programs was offered by nearly all of our respondents.

While neither remedial work nor required classes would themselves be considered expendable frills in the broad scheme of what schools are supposed to do, the organizational position of summer programs made them extremely vulnerable as the legislature groped in 1978 for least painful ways to allocate budget cuts. Summer school lay outside of the core employment agreements between districts and their staffs which would have required wholesale renegotiation if regular programs were to be raided in efforts to save money. Summer school's loss was much preferred by all parties in the bail-out to the likely alternative--that of laying off district teachers.

But while regular teaching staffs were generally maintained in the year following Proposition 13, repeated reductions in numbers of teachers have been the first order effect of the financial squeeze that has plagued the schools ever since. These reductions have been effected through teacher lay-offs in two of the eight districts examined and through non-replacement of many retiring or resigning teachers in all study districts. And the processes of attrition were fueled by the financial uncertainties that Proposition 13 engendered.

In the spring of 1979, almost a year after the temporary bailout was passed, most districts sent layoff notices to as many as a third of their faculty members in anticipation of funding losses for the next year. The legislature would not enact its budget until June or July, but by state law teachers must be informed by March 15 if they are not going to be rehired for the following school year. Even though state appropriations allowing for continuation of teaching staff eventually passed in July of 1979, some of the teachers given notice had secured employment elsewhere, and a pattern of staff attrition had taken hold. In subsequent years, all eight urban districts simply did not replace many teachers who retired or resigned their posts. This has meant that whatever priorities have reigned in the districts over the past few years, the schools have been restricted largely to their existing (and diminishing) teaching staffs for the purposes of carrying them out. We pursue further implications of this for the curriculum shortly.

Overall Patterns of Curriculum Change

As we indicated above, the patterns of curriculum change described by our respondents were characterized by overwhelming similarity--both among the individuals associated with given districts and across the entire sample. And what were identified to be driving influences behind these changes were also practically universal. Both reflect the effects of continuous reductions in the amount of real resources available to California school districts since, and in part because of, Proposition 13--effects which are reported to be more severe with each passing year.

At the heart of curriculum change in these districts are reductions in teaching staffs due to wholesale teacher layoffs in two districts and

due in all cases to policies of not replacing teachers who leave employment. Losses of material resources which support programs are also universal in these districts. In addition, the trustees of nearly all of these districts have mandated a new or continued emphasis on the development of basic language and number skills in their school programs. And finally, the state's institution of proficiency tests for high school graduation is reported to have affected district course offerings. These forces have combined to yield distinct organizational implications for school curricula, universally restricted patterns of pupil choice in high school programs, and lengthy and common lists of deceased or diminished subject offerings.

In addition to teaching staff losses, all districts queried have reduced outlays substantially for curricular materials, equipment, and support services in the past five years. Some classes are conducted with fewer texts than pupils, with books not allowed to be taken from classrooms for study or homework. Laboratory equipment is largely not replaced when broken, nor are obsolete or dated materials upgraded through new purchases. Field trips have been eliminated in most schools. All districts report reductions in numbers of counselors and school psychologists. Budgets have simply not allowed for former numbers of professional psychologists, and teachers serving as counselors have been reassigned to the classroom as other teachers have departed. Some districts began to charge fees for participation in atheletic activities--typically $35.00 for a varsity sport--a practice which subsequent to our survey was ruled illegal in a decision stemming from a Santa Barbara court challenge. Parent-teacher organizations have successfully orchestrated fee-charging summer programs in several of the

districts studied, but these manage to serve small fractions of previous summer enrollments.

These dollar saving strategies--toleration of staff attrition, reassignment of support professionals to the classroom, and curtailing of cash outlays wherever possible--have been executed at the same time that districts have been under both formal and popular pressure to reorient their programs in the direction of basic skills development. Both state law and the actions of school trustees themselves have mandated added attention to the 3Rs in California high schools. In addition, the University of California announced the stiffening of its mathematics course requirements for admission to freshman classes for fall of 1984. All of these forces have constrained choices about the high school curricula as decisions are reached about where to realize needed financial savings.

California has a rugged state requirement for demonstration of pupil competencies for high school graduation, at least by national standards. Through laws enacted in the mid-1970s and effective since 1980, not only must pupils pass a district-established test for high school graduation, but they also must succeed on separate tests for each of reading, written expression, and computation skills. State law also mandates preliminary proficiency assessment at the elementary, junior high, and high school levels. In addition to whatever actions districts have taken regarding their curricula to contribute to pupil success on their proficiency assessments, such as remedial instruction, districts are required to maintain summer programs specifically for children who fail their tests for graduation.

The boards of trustees of all districts queried have elevated basic skills as a curricular priority through their own mandates. This has taken place both through the articulation of such priorities into basic statements of district instructional goals and phi sophies and through the creation of special emphasis on the basics in specific program decisions. Respondents reported these thrusts to be the result of state proficiency testing requirements and also to derive from the same popular forces that gave rise to legislative initiatives for proficiency monitoring in the first place. The perception that schools are under irresistable pressures to improve the basic literacy of their graduates is apparently universal, and curricular decisions described support this contention.

Largely because of reduced numbers of teachers, high school class sizes have grown larger since Proposition 13 and fewer sections of given classes are offered. The latter of these effects has reduced scheduling options for pupils--options which have suffered from additional changes in California high schools. More than half of our study districts have recently reduced the number of class periods each day. And their schedules have been squeezed further by the fact that pupils can no longer enroll in summer programs to take required courses. This has meant that all required courses must be taken during the regular school year; so less time is available for electives. Some districts at the same time have added to their course requirements for graduation, further impounding discretinary schedule time. Enrollment in remedial classes has increased in response to concerns about passing graduation proficiency tests. By state law, high school students must be given preliminary proficiency tests in the 10th and 11th grades, and districts commonly

use the results of these assessments to place marginal or failing pupils into newly established special classes.

The mathematics and science curricula have uniquely suffered from post-Proposition 13 circumstances in the schools. Non-replacement of teaching staff has resulted in teachers being reassigned to administer to those areas of the curriculum which have been maintained. School districts have for at least a decade reported difficulty in securing sufficient numbers of qualified math and science teachers, and incapacity to hire new teachers of any sort has exacerbated this problem. All of our study districts admit to growing numbers of non-majors teaching in these areas, and to customarily assigning teachers to teach such courses without the benefit of specific inservice training for lack of resources to provide such opportunities.

Perhaps the most obvious effect of these changes taken together is seen in the nature of the course catalogue of the state's high schools. All districts studied report long lists of classes and specific support activities which have either been eliminated or reduced substantially since 1978. The same classes and general areas of attrition were cited repeatedly, both across the various observers within each of our study districts and across all districts commonly. With few exceptions, the following course offerings have come under universal fire in the aftermath of Proposition 13:

Widely Reported Course Reductions
Urban California High Schools

- honors courses
- advanced placement courses
- social science electives
  - sociology
  - psychology
  - economics
  - international relations
- foreign languages
- industrial arts
  - shops
  - drawing
- photography
- home economics
- career education

English electives
driver education
fine and performing arts
orchestra, band, choral music

business education
"general track" classes

Areas of Curricular Growth

special education
mathematics (particularly computer classes)
bilingual education (Spanish-English)
remedial instruction

Class offering reduction or elimination has resulted through all of the forces and responses outlined above. Music and driver education programs are widespread casualties, having been removed completely in most schools. Industrial arts courses have suffered generally by reductions in numbers of sections offered and by the schools' inability to maintain equipment or purchase supplies needed for conducting them. Many pupils are blocked from taking these or other electives which have been reduced to single time offerings, since they frequently conflict with required courses. Honors and advanced placement courses were once offered for small numbers of students, a luxury now considered unaffordable. Districts report increased enrollment minimums in such classes as calculus or advanced placement chemistry, which have led in turn to their cancellation due to insufficient numbers of takers.

Course consolidation is frequently mentioned as a recent phenomenon, especially in the social sciences and English classes. Districts no longer have sufficient numbers of teachers to offer the range of electives which they built up over the previous decades, nor do pupils have room in their schedules to extend themselves as broadly into such topical studies as the Bible as Literature or international relations. Business and career education programs have suffered systematically from their

reported low priority as districts have reassigned existing staff from year to year, and from their waning popularity among students.

A few areas of the curriculum have experienced growth since Proposition 13 in all of the districts studied. Computer classes have entered the mathematics curriculum nearly everywhere, although offerings are customarily limited to brief appreciation treatments or limited hands-on experience with a minimal amount of recently acquired hardware. Special education classes have grown in response to recent federal mandates for school district accommodation to individual educational plans, and from increases in state and federal funding for these programs over what was available in the mid-1970s. And districts report more remedial offerings directed particularly to pupil competencies assessed on district graduation tests and to deficiencies noted in preliminary competency testing at earlier grade levels.

Some Specific Findings

Our respondents conveyed their understanding of curriculum change in their districts since Proposition 13 in a variety of ways. Their statements usually reflected a general understanding of patterns in the areas queried. Beyond this, they were frequently able to cite known figures or estimates that are indicative of <u>how much</u>, or little, things have changed in addition to the directions of observed changes. Table 3 below presents these harder assessments for each of the eight districts studied.

The changes listed in Table 3 do not include assessments, such as many discussed above, which told of specific areas of curricular reduction without reference to the magnitude of change. The amount of detail and

Table 3

Quantifiable Curriculum Observations in Study Districts

District	Curriculum Change or Consistency, 1978 to 1983
San Francisco Unified School District	1. 40 percent reduction in total class offerings
	2. 1979: 1200 teacher layoffs, 800 subsequently rehired
	3. 1980: 400 permanent teacher layoffs
	4. 1981 and 1982: 100 teachers lost through attrition no replacements
	5. Elimination of all advanced placement courses if fewer than 12 pupils enrolled
	6. Sample high school: 2 pages of courses eliminated from 6-page course catalog
	7. 10-year pattern of shifting non-majors into mathematics teaching assignments upheld
	8. Elimination of regular summer school.
San Diego City Unified School District	1. Physical education eliminated, grade 12, and made optional, grade 11
	2. 1983: mean age of teachers = 60 years
	3. Mathematics requirement for graduation increased from 1 to 2 years
	4. No changes in length of school day or number of periods
	5. 1983: No new certificated personnel hired
	6. Elimination of summer school.
Los Angeles Unified School District	1. By 1983, 1000 non majors assigned to math classes
	2. Credits for graduation reduced to 150 from 165
	3. Cumulative reduction of teaching force of 1500
	4. Sixth period dropped for grades 11 and 12
	5. Elimination of summer school.
San Jose Unified School District	1. One period per day eliminated, grades 11 and 12
	2. Layoffs of teachers with 7 or fewer years of district employment
	3. Reduction of 10 units of credit required for graduation
	4. Reorganization toward 4-year high schools, 2-year middle schools (grades 7 and 8)
	5. Elimination of summer school.

Table 3 (continued)

District	Curriculum Change or Consistency, 1978 to 1983
Oakland Unified School District	1. Additional year of math required for graduation
	2. Additional semester of English required for graduation
	3. One-semester of foreign language exploration course added to graduation requirements
	4. Elimination of summer school.
Sacramento City Unified School District	1. Elimination of all field trips
	2. No replacement of retired/resigned teachers
	3. No inservice appropriations for teachers assigned to mathematics without college major
	4. 1978: 10 percent of teachers laid off
	5. Five additional credits required for graduation
	6. 1978: reduction of class periods to 5 from 6
	7. Cumulative reduction of 30 school psychologists
	8. Elimination of summer school.
Long Beach Unified School District	1. Elimination of mini-courses, all departments
	2. One half of English electives dropped from catalog
	3. Total of 50 elective offerings dropped, all departments
	4. Additional 1 year of English (III) required for graduation
	5. Elimination of summer school.
Fresno Unified School District	1. Additional year of math and science required for graduation
	2. Additional semester of parenting education and career education required for graduation
	3. Increase of required credits for graduation from 225 to 210
	4. Stable number of class periods and length of school day
	5. Elimination of summer school.

quantifiable information reported to us varied from district to district, further testifying (it seems) to the lack of systematic record keeping by central offices on the subject of the high school curriculum as we have defined it.

It is also apparent, as we review our notes, that certain districts have fared worse than others over the past five years. Even though similarity of impact is a dominant finding of this research, districts such as San Francisco and Los Angeles have had their troubles compounded by severe enrollment declines. This directly affects the number of teachers maintained on staff, and the cuts in their offerings appear to be the deepest among the districts studied.

Conclusions

Our respondents frequently assessed the curriculum changes in their schools and districts in words that we have some comfort in applying to the larger world of California's urban schools as a result of our survey. The slow, but relentless, demise of the comprehensive high school was the dominant characterization offered. The unquestioned reality of shrinking resources, in part caused by the constraints of Proposition 13, is perceived to be a driving force in this process. And decisions in this depressing environment have widely reflected the need to maintain and augment programs which have some hope of resulting in high school graduates who can read, write, and calculate with minimal facility.

High schools have lost their "comprehensiveness" in several ways. They have eliminated many offerings that extend beyond core requirements because they do not have the staff to teach them, and because reduced regular year schedules and cancelled summer programs have appropriated discretionary schedule time. The arts and enrichment courses in all

disciplines have been the first to go in this process, and the pupils' abilities to use their basic skills to think critically, analytically, or appreciatively have fallen from the school agenda. Work skills classes, such as manual arts training, and business service skills courses such as typing or notehand, have also suffered from low priorities in the eyes of both district decisionmakers and the students themselves. And students who wish to extend themselves beyond the basic skeleton of a secondary education are finding it increasingly difficult to do so within California's urban high schools.

The primary implication of these changes is that students (and parents) who want experiences during the high school years which approximate those which were once commonly available must go beyond the public schools to get them. Community service agencies other than schools are a very limited source of such opportunities, and access to private sources of instruction is generally governed by family financial capacity. Thus comprehensive education in the sense of enriched academic experience may only be available in the more endowed and expensive private schools which are generally oversubscribed and growing in California's urban centers. The distributional consequences of the privatization of services which were once available more commonly to all children, although the subject of another analysis, seem alarming.

Of even more concern is the perception among all of the representatives of California's urban districts included in our research, that these processes begun during the past five years will continue along the same lines for the foreseeable future. If program emasculation to date has its reprehensible character to those attending or serving the schools,

what these schools might be like in another five years begins to stagger the imagination. And recent relevations of a near $2 billion state budget shortfall for the current school year (far exceeding projections available at the time of our interviews) would surely fuel this pessimism. In short, this examination seems to point to a problem in the making for California's high schools that transcends by far circumstances that are perceived as crisis today.

Finally, current popular calls for school reform in the State of California run curiously up against what we portray as a problem in this analysis. As we go to press, newly elected State Superintendent of Public Instruction, Bill Honig, Senate Education Committee Chairman, Gary Hart, and the ten-member State Board of Education are vying for a leading role in what is construed as an inevitable movement to stiffen the academic demands for high school graduation. All three are sponsoring the establishment of statewide curricular standards that would generally increase the number of English, mathematics, natural science, and social science courses taken by students prior to graduation. Senator Hart's proposal is exemplary: three years of English, two years of mathematics, two years of science, three years of social studies, and one year of fine arts would be universally required in California high schools. Our analysis above suggests that if these demands were placed on the districts we studied, many more course offerings of the type already reduced would be deleted. Remaining discretionary scheduling time would evaporate as pupils sign up for newly required classes; and it is conceivable that entire teaching staffs, regardless of professional preparation, would be allocated by necessity to the required curricular areas.

So comprehensiveness in our high schools remains in double jeopardy. Sustained financial pressure may continue its work as we have described, and intensifying demands by policymakers for beefed-up academics in the high schools would, if translated into law, add to the growing catalog of expendable school offerings.

REFERENCES

Catterall, James and Thresher, Thomas "Proposition 13: The Campaign, the Vote, and the Immediate Aftereffects for California Schools." Stanford University, Institute for Research on Educational Finance and Governance, Program Report #79-B5, March 1979.

Eisner, Elliot W. and Vallance, Elizabeth Conflicting Conceptions of Curriculum. Berkeley: McCutchan, 1974.

Lieberman, Ann "Practice Makes Policy: The Tensions of School Improvement," in Lieberman and McLaughlin, M. (Eds.) Policy Making in Education. Chicago: University of Chicago Press, 1982.

Wirt, Frederick M. and Kirst, Michael W. Political and Social Foundations of Education. Berkeley: McCutchan, 1972.

Wood, Tracy "Hart Proposes School Reforms.." Los Angeles: The Los Angeles Times, March 3, 1983, p. 18.

December 8, 1982

REVENUE STATISTICS FOR SELECTED CALIFORNIA SCHOOL DISTRICTS
1978-79 through 1981-82

	ADA	Base Rev. Limit Per ADA	Total Base Revenue Limit	Min. Rev. Limit Guarantee Amount	Urban Impact Aid Amount	Declining Enrollment Revenue	Total of These Rev. Sources	Local Revenues
Los Angeles Unified								
1978-79	535,262	$1,523	$815,193,321	0	$20,930,973	$36,733,812	$872,858,106	$284,837,133
1979-80	526,795	1,646	867,141,116	0	30,523,304	33,817,696	931,482,116	155,795,026
1980-81	521,228	1,768	921,572,802	0	30,990,302	16,405,935	968,969,039	164,241,345
1981-82	525,062	1,885	989,568,600	0	32,849,713	0	1,022,418,313	285,876,541
San Francisco Unified								
1978-79	58,517	$1,789	$104,672,284	0	$3,234,115	$5,429,445	$113,334,844	$44,999,053
1979-80	55,455	1,894	105,005,437	0	4,536,198	7,680,239	117,222,874	14,165,033
1980-81	56,692	2,001	113,445,794	0	4,638,937	3,029,665	121,114,396	14,939,856
1981-82	58,184	1,961	114,086,605	0	4,917,273	0	119,003,878	34,680,722
San Jose Unified								
1978-79	35,186	$1,542	$54,244,145	0	$356,291	$1,774,837	$56,375,273	$20,739,116
1979-80	33,876	1,663	56,344,245	0	510,943	2,478,213	59,353,401	19,724,362
1980-81	32,363	1,800	58,237,542	0	530,943	3,627,495	62,395,980	22,143,880
1981-82	32,272	1,911	61,654,688	0	562,000	1,732,805	63,950,293	27,105,848
Oakland Unified								
1978-79	49,018	$1,579	$77,380,795	0	$2,924,158	$2,157,170	$82,462,123	$26,817,968
1979-80	47,740	1,697	81,031,765	0	4,133,854	1,617,594	86,783,213	12,860,462
1980-81	47,136	1,803	84,970,653	0	4,214,994	2,078,880	91,264,527	13,939,885
1981-82	46,948	1,924	90,345,792	0	4,467,894	687,004	95,500,690	22,749,073
San Diego City Unified								
1978-79	112,110	$1,426	$159,810,563	0	$1,263,427	$4,593,212	$165,667,202	$67,856,874
1979-80	109,095	1,557	169,858,422	0	1,832,754	6,150,071	177,891,247	67,938,554
1980-81	108,872	1,690	184,003,479	0	1,882,754	2,574,981	188,461,214	80,947,199
1981-82	109,116	1,830	199,667,004	0	1,995,719	0	201,662,723	95,718,876
Long Beach Unified								
1978-79	54,215	$1,463	$79,340,942	0	$1,021,104	$1,869,135	$82,231,191	$27,447,232
1979-80	53,603	1,592	85,629,308	0	1,521,645	902,408	88,053,361	14,480,607
1980-81	55,350	1,736	96,124,890	0	1,521,645	0	97,646,535	15,324,794
1981-82	56,613	1,848	104,605,539	0	1,612,944	0	106,218,483	23,524,074
Sacramento City Unified								
1978-79	39,423	$1,544	$60,885,275	0	$1,171,594	$2,401,670	$64,459,529	$18,090,870
1979-80	38,228	1,666	63,678,772	0	1,672,929	2,363,742	67,715,443	12,543,196
1980-81	38,376	1,803	69,201,522	0	1,699,413	889,052	71,789,987	14,010,313
1981-82	38,766	1,912	74,130,234	0	1,801,378	0	75,931,562	19,135,209
Fresno Unified								
1978-79	48,724	$1,367	$66,619,838	0	$1,479,374	$3,589,456	$71,588,658	$19,050,742
1979-80	46,811	1,504	70,421,399	0	2,109,785	3,905,895	76,437,069	17,328,362
1980-81	46,357	1,661	77,017,520	0	2,144,159	1,598,296	80,759,975	18,659,402
1981-82	46,732	1,798	83,916,652	0	2,272,806	0	86,189,458	23,817,240

	1978-79	1979-80	1980-81	1981-82
State Income--General Fund (In Thousands)	$16,280,774	$18,534,148	$21,104,852	$21,692,782

source: State of California, Dept. of Finance: special run

Appendix II: Curriculum Change Interview Questions

1. What is your perception of changes in high school course offerings in your district, 1978 to present?

   Which specific areas have been affected and why?

2. Has your school board mandated major curriculum changes or changes of emphasis since 1978?

3. Has teaching staff attrition caused any systematic curriculum change?

   Are these retirements?
   resignations?
   reductions in force?

   What areas have been losers?

4. Did your district cancel summer school in 1978? Are there any summer offerings now? (Note, state law requires provision for summer school for those who fail proficiency exams, for special education purposes, and for high school completion.)

   Do you now have any cooperative arrangements, such as with Parks dept?

   Any planned changes in summer offerings?

5. Have there been any changes in graduation requirements?

   Have these changes been in grade level promotion requirements?

6. Have there been any changes in length of school day or number of periods?

   With what effect?

7. How have school finance circumstances generally affected curricular offerings in your district since 1978?

8. Do you discern any pattern of change in relations with other youth service agencies in the community? e.g., parks and recreation?